CREDIT AND FINANCIAL MANAGEMENT

INSURANCE STATEMENT

1. Do you carry fire insurance (including extended coverage)?

    Yes ______ **No** ______ **Total Amount $**______

2. Do you have periodic insurance appraisals and inventories to determine if coverage is adequate to prevent becoming co-insurer?

    Yes ______ **No** ______ **Date of most recent appraisal** ______ **19** __

3. Have your liability insurance limits been reviewed recently?

    Yes ______ **No** ______ **Date of most recent review** ______ **19** __

☐ If checked, please complete form below for list and description of all insurance policies.

NAME OF INSURANCE COMPANY	POLICY NUMBER	EXPIRATION DATE	DESCRIPTION OF COVERAGE	AMOUNT OR LIMITS	SPECIAL FEATURES

(From the Financial Statement Form published by the National Association of Credit Management)

OCTOBER 1961

NUMBER 10
VOLUME 63

THE ANNUAL INSURANCE NUMBER

Financing Small Corporate America—*A Threat from Within: Inflation in Fire Losses*—Embezzlement: "The Crime of Honest People"—*New Hazards of This Space and Atomic Age*—Checklist for Adequate Coverage—*Business Life Insurance*

The Cover Illustration **See Page 5**

Why in October?

Fire Prevention Week, this year October 8 to 14, always falls in the week containing October 9 because that was the day in 1871 when the Great Chicago Fire began—and made America fire-conscious.

That conflagration, whether or not correctly blamed to Mrs. O'Leary's cow, cost 250 lives, 17,430 buildings, $175 millions. Under today's construction costs the property damage would have been in the billions, says the National Board of Fire Underwriters, Lewis A. Vincent general manager.

Small Banks Most Susceptible To Embezzlers, Says Educator

Small banks are most susceptible to embezzlement, in the view of John R. Raleigh, technical division director of NABAC, The Association for Bank Audit, Control and Operation, and an instructor at the association's two-week School for Auditors, conducted summers at the University of Wisconsin.

More embezzlements than ever are predicted as this year's toll. The FBI reported 1,771 cases of bank fraud in the fiscal year ended with June 1960.

$585 Billions Life Insurance in Force: Up $73 Billions in '60

Face value of new life insurance policies written last year totaled $73 billions, making $585 billions total insurance in force, with overall assets of insurance companies $120 billions, according to United Business Service.

The industry's rate of growth has exceeded the rise in the general economy, with more than 65 per cent of the population now owning some form of life insurance.

The Insurance Score

By the end of 1960 some 132 million persons, 73 per cent of the U.S. population, had hospital insurance, 120 million had surgical insurance, 43 million loss-of-income coverage, and 25 million had insurance against major medical expense, said Dr. F. I. Ganot, medical director of The Prudential Insurance Company of America, in an article in "Inspection News".

EDITORIAL

LOCKING THE BARN DOOR

IN THIS ISSUE are concentrated a number of articles spelling out the hazards and pitfalls facing credit management, the effects of which can be largely protected against by the prudent use of insurance coverage, in one form or another.

These protections must certainly be given every serious consideration by alert and careful managers, and we commend this wealth of information for your reading.

There is little to be said, however, for the man who locks his front door against the possibility of burglary, and neglects to take the same precaution at the rear.

Losses to business firms each year through crimes such as bankruptcy frauds and inventory diversions are enormous. For the past 36 years the National Association of Credit Management has maintained a department concerned solely with the investigation and prosecution of fraudulent commercial transactions. In that period it has referred to appropriate law enforcement agencies data which has resulted in nearly 1,800 convictions. If the air of the market place is cleaner now than it was 36 years ago, some of the credit is due to the Association's unremitting fight against commercial crime.

However, as the stepped-up enforcement efforts of the United States Department of Justice result in denying to organized criminals their traditional sources of income, such as gambling and narcotics, it is logical to assume that they will turn to other sources.

There is evidence to indicate that the syndicates of crime are again eyeing the potential profits of commercial fraud, a field which was extremely lucrative to them prior to 1925. Any marked increase in credit fraud would pose a serious problem not only to manufacturers and wholesalers, but also to legitimate retail merchants, who obviously cannot compete with those who obtain merchandise, in effect, by larceny. Commercial fraud adversely affects the entire distributive process, and not merely one segment of it, the supplier who bears the initial loss.

We are seriously concerned about this threat, and are intensifying the work of our Fraud Prevention Department throughout the United States.

Now, here is the part credit managers must play. After the crime has been committed, it is difficult to obtain proof. Commercial fraud is particularly hard to trace. The prosecuting forces of the government are not large enough or sufficiently equipped to completely deal with the detection and prosecution of frauds arising out of business transactions. It must go for assistance to those who have an intimate and detailed knowledge of business.

The credit man should be the agent of prevention. If he does that job effectively he will no longer need to be the agent of prosecution. The prosecuting attorney cannot fill the preventive role. His business commences only *after* the crime has been committed.

Alan S. Jeffrey

EXECUTIVE VICE PRESIDENT

THE OCTOBER COVER

A NEW Standard Form of Financial Statement has been developed by a Special Advisory Committee of NACM's National Publications and Sales Committee and is now ready for distribution.

One of the new Form's major revisions is a completely new section on Insurance Information, based upon recommendations by the National Insurance Committee, NACM.

The new section is presented as the cover illustration of this Annual Insurance Number because of the importance of adequate coverage to companies in both their own programs and in those of their accounts.

Auto Injuries Up 7 Per Cent, Deaths Rise 1% over 1959

The more than three million persons injured in highway accidents last year represented an increase of more than 7 per cent; the 30,000 deaths were 1 per cent higher than for 1959.

"Injuries continue to rise with alarming rapidity," The Travelers Insurance Companies' publication, "Deadly Reckoning," shows, and "the apparent leveling off of the number of deaths . . . is due largely to better and more prompt medical care rather than care on the part of the drivers."

Violations of traffic laws figured in more than 80 per cent of all personal injury accidents.

Adoption of uniform traffic laws by all states would save countless lives, says a spokesman for Travelers. We might add that with the tremendous increase in interstate automobile driving the inconsistencies of traffic laws constitute a tragic indictment of states' rights.

Fire Resistance of Prestressed Concrete Passes Forty Tests

Prestressed concrete can be designed to provide any required degree of fire resistance, said A. H. Gustaferro, construction engineer of the Portland Cement Association, Chicago, addressing the South Florida section of the American Society of Civil Engineers.

More than 40 standard fire tests on prestressed concrete building components have been conducted in the United States in the last three years, he told the gathering.

CREDIT and FINANCIAL MANAGEMENT

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IN THIS ISSUE

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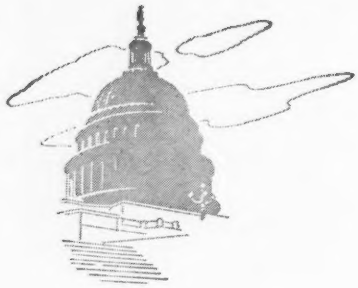


Washington

¶ THOUGH final Congressional action appears unlikely at this writing, the Senate finance committee approved H.R. 10, passed by the House after modification. The measure would provide federal tax credits for merchants and other self-employed who establish their own pension plans. The Senate committee version calls for allowing self-employed to invest up to $2,500 annually in private retirement pension plans and receive $1,750 federal income tax credit thereon. Any self-employed having employees, to earn the credit, would be required to set up a similar private retirement plan for each employee with him at least three years.

Were the measure to reach the floor of the Senate this session, it was indicated, Senator Paul Douglas and others would propose a number of amendments, such as to tighten federal tax deductions on business entertainment expenses, repeal the 4 per cent stock dividend credit, and revise depletion allowances for the mining industries.

¶ ENCOURAGEMENT of small business to participate in export trade is the objective of a joint program launched by the Small Business Administration and the Department of Commerce.

SBA will help the small business owner analyze needed adjustments in staffing, financing, production capacity, cost control, and the like.

Then, if the owner decides to enter foreign trade, SBA will refer him to the Department of Commerce for guidance in the technical problems entailed.

¶ TWO SUBCOMMITTEES have been named for the joint Government industry task force to increase smaller firms' share of subcontracting in cooperation of SBA and the commerce department. One unit is to survey subcontracting policies of prime contractors; the other is to seek methods to improve Government statistical information on subcontracting by major industries.

That the Government saved $4 millions the first five months this year by awarding prime contracts to low-bidding firms certified by the Small Business Administration is claimed by Administrator Horne. The $4 millions is the difference between these bids and the next higher.

¶ RECORD increase of $5.5 billions in private American investment abroad last year set a new top $50.3 billions. Long-term investments were up $4 billions, says the commerce department. This year there has been a decline in short-term fund flow, but the rise in other types has been sustained. Direct investments overseas by companies in 1960 increased by almost $4 billions.

¶ CREEPING inflation has come upon much of Western Europe as a result of the boom and full employment, with price indexes upward, followed by legislation for financial restraint. In no country, however, has the price increase been as much as 5 per cent.

¶ JAPAN'S government has cautioned its industry to moderate its rate of growth—11 per cent last year. To help get the rate down to 9 per cent the government asked banks to reduce loans to large borrowers by 10 per cent.

The Bank of Japan raised its official discount rate by 0.365 per cent, to 6.935.

A new "voluntary ceiling" agreement limits Japanese cotton textile exports to U.S. next year to 7 to 8 per cent increase.

¶ THE NEW HIGHS in industrial production and personal income in July were reckoned by most economists as evidence of increased momentum in the economy, but some saw danger of inflation, though there were no announced indications of "scare buying" out of the Berlin crisis and the President's call for $3.5 billion stepup in military and civil defense outlays.

¶ THE 2 per cent decline in restaurant sales in July from the same period last year "can be attributed directly to President Kennedy's expense account proposals, in view of the record personal income registered in July and the increase in consumer spending," says J. Terry Radigan, Washington economist of the National Restaurant Association.

Noting that July is normally the peak month in restaurant sales, Mr. Radigan declared that because of "expense account jitters" many firms "are cutting back on business entertainment in anticipation of curbs pending in Congress."

NOTICE TO ALL NACM MEMBERS

Uniform Commercial Code Study Project Now Under Way—Your Recommendations Invited

The National Legislative Committee of NACM has been designated by President Gilbert W. Sites as a fact-finding committee to study the Uniform Commercial Code.

The purpose of the study is to assemble, compose and submit to the National Board of Directors such information concerning the Uniform Commercial Code, together with its various amendments and proposed amendments, as will enable the Board to take an informed position on the Code, and upon the basis of this study to advance such constructive recommendations as "would be acceptable to members of this Association throughout the country."

Please send any information you have, which you feel would be helpful to the Committee, to Milton H. Anderson, Chairman, National Legislative Committee, NACM, Graybar Electric Company, Inc., 115 West McMicken Avenue (P.O. Box 298, Annex Station), Cincinnati 14, Ohio.

Copies of any correspondence should also be sent to Legislative Department, National Association of Credit Management, 44 East 23rd Street, New York 10, N.Y.

¶ OPPOSITION to S.1740, the "truth in lending" bill, was voiced by representatives of a variety of business organizations at a Senate bank subcommittee's hearings. The measure, in part, would require that the merchant in any business transaction state the cost of finance charges in dollars and cents, also in terms of simple annual interest rate on the unpaid indebtedness.

Said John A. Gosnell, general counsel, National Small Business Men's Association: Enforcement would swamp the courts with cases.

Kenneth Barnard, National Better Business Bureaus, Inc.: Workability of section requiring disclosure of cost of credit in terms of simple annual interest is doubtful.

Louis Rothschild, National Association of Retail Clothiers & Furnishers: Bill would subject thousands of honest merchants to expense and threat of litigation.

Dr. Theodore N. Beckman, National Retail Merchants Association: Bill, if it became law, could spell "beginning of the end" of free enterprise.

Duncan McC. Holthausen, department store vice president, formerly consumer credit specialist of Federal Reserve Board: Measure could permanently reduce sales, production and employment in consumer durable goods industries, if aim is to curtail use of credit.

Rev. Robert J. McEwen and Mrs. Martha O'Neil, representing the advisory consumer council to the attorney general of Massachusetts, both indorsed the bill.

¶ WHILE new orders and production rate eased, in the customary summer pattern, members of the National Association of Purchasing Agents noted continuation of business improvement. For July, 35 per cent of the purchasing agents reported increase in new orders, 51 per cent noted steadiness and only 14 per cent cited a drop. In production, 37 per cent reported gains, 48 per cent called output steady. However, 60 per cent declared volume of stocks of supplies relatively unchanged.

¶ A FARM COMPROMISE bill, passed by Congress, sets a mandatory 10 per cent cutback in wheat acreage, continues for a year the voluntary reduction program for corn, grain, sorghum, barley and other livestock grains, extends the programs on school milk, Great Plains conservation, disposal of surplus foods to foreign countries. Only a few of the original proposals of Orville L. Freeman, secretary of agriculture, were retained.

¶ DESPITE the addition of 600,000 new families the personal income of the average American family last year registered a 4 per cent increase of $290 over 1959 and set a new all-time annual record of $6,900. Overall, personal income rose $20 billions in 1960.

¶ TRANSPORTATION leaders are just not seeing the status quo eye to eye. Stuart J. Tipton, Air Transport Association president, told the Aviation/Space Writers Association that the Government should remove the World War II tax on passengers, revise policies on foreign competition, quash proposed increase of fuel taxes.

And the motor carriers and water carriers in a joint statement attacked "destructive and monopolistic" practices of the railroads, and urged passage of pending legislation "to restore order and sanity in rate-making."

Prudential's general investment manager discusses insurance industry's outstanding contribution as source of expansion funds in

FINANCING SMALL CORPORATE AMERICA

By RICHARD P. TAFT*

THERE has been a great deal of discussion in recent years about the lack of availability of funds for small business. It is true that smaller companies have, and probably will continue to have, problems in the financial field. But it is also true that today external capital is available to a substantial number of companies in this category.

The life insurance industry in general has done an outstanding job in this field. But the bulk of its financing to small industry in the past has been by way of the mortgage route.

The insurance industry, including Prudential, found it easier in the past to make term loans to large corporations with established credit. Most insurance companies definitely felt, and some still do, that small industry is not a suitable investment medium for life companies, which deal in widows' and orphans' funds.

SPECIAL LOAN DEPARTMENT

BUT PRUDENTIAL felt that, since it is owned by 36 million policyholders, it had a responsibility toward meeting the financial needs of small business; that it should not restrict its lending resources to big corporations. Furthermore, it believed that financing small "corporate America" would be good business. So it formed a Commercial and Industrial Loan Department for this specific purpose in 1956.

The company hoped to compensate for the more detailed work and servicing involved by securing a better, yet reasonable, interest rate. Its regional home office program eliminated much of the costly expense of travel that would have been involved had the company had to operate nationally from one central point.

* General Investment Manager, Commercial and Industrial Loan Department, The Prudential Insurance Company of America.

The company felt that a portfolio with a large number of cases in varied industries and locations would provide the necessary diversification to minimize the risk, which is far less than many lenders believe it to be.

$400 MILLIONS TO SMALL BUSINESS

TODAY, after only five years in the business, Prudential's small business loan portfolio exceeds $400 millions. Loans are outstanding to more than 300 companies in 213 cities in 37 states and six Canadian provinces. There are almost as many different kinds of industry represented in the company's portfolio as there are loans.

The portfolio includes loans to about 225 manufacturers of products ranging from baby bottle warmers to hearses, to approximately 60 companies engaged in wholesaling and retailing, and to a variety of service and other enterprises.

Prudential is continuing to reduce its average size loan, lending to even smaller companies. In 1956, the average approval was $2 millions. Last year and so far this year it is slightly more than $1 million. In 1960, 70 per cent of all approvals were for $1 million or less, and a third for $500,000 or less.

From a safety standpoint, experience has been excellent. There were no defaults during the 1957-58 recession. Sticky situations were few and far between.

ADVICE TO THE OVER-EAGER

THERE have been some problems, however. An unforeseen and somewhat disturbing factor has cropped up in a few cases.

Some companies, able to obtain long-term funds for the first time, feel there is no bottom to the well. For years the growth of these companies had been determined by the limited availability of long-term capital. Then, having obtained it for the first time, they are in a hurry to become the giants of their industry. The funds

are barely disbursed when managements want to make the next expansion move that they have dreamed of, despite the fact that there may not be the required executive manpower or sufficient earning power yet from present operations to generate a proper profit margin if the proposed move is to succeed.

Prudential advises such companies, in most instances, to consolidate their gains before taking the next step.

To make loans to small businesses, Prudential has set up staff organizations in its regional home offices and other locations in 12 cities throughout the United States and Canada. These offices work with banks, investment houses, and businesses to advise them that a source of long-term capital is available and that their request for a loan will be processed on the ground floor.

DETERMINANT FACTORS

No one factor determines whether a long-term loan is available to a particular company. Many apply:

1. By law, a life company cannot make an unsecured term loan to a non-incorporated borrower. This eliminates 80 to 85 per cent of all businesses from consideration. While this may seem serious, in general most of these businesses are the corner retail store or the gas station, which are generally financed by personal resources or by friends or relatives, or by mortgage.

2. Prudential is seeking loans from industrial type companies. In its broad sense, this includes most types of businesses except public utilities.

3. Because of expense and administrative problems, the minimum term of a loan is for 10 years. Generally the maximum term is for 15 years.

4. There is no minimum amount. The smallest loan made so far has been for $100,000.

5. The company should have a minimum net worth of between $250,000 and $350,000.

6. Debt must bear a reasonable relationship to net worth, usually not more than 60 per cent.

7. The funds should be used for productive purposes, either for capital expansion or for long-term funds with which to finance growth or to fund existing short-term obligations to place the company on a workable basis.

8. The company should have an established business, with at least 10 years of favorable operating history. This rule is not inviolable. Prudential has made loans to companies with shorter operating histories. It is extremely doubtful, however, that a loan would be made to any new enterprise, for both legal and business reasons.

9. The company should show a record of growth and growth-potential.

10. The company should have established a solid market position and shown its ability to maintain it against competition.

11. Profit margins for the company must be satisfactory.

12. There must be a demonstrable ability to repay the debt.

13. Management should be of good character, well-rounded, experienced, and in reasonable depth.

Many problems have been met in making loans to small businesses, a number of them traceable to the borrowers' lack of experience in such transactions. Among them are:

1. Insistence upon a term loan when the business may need equity funds or a combination of term loan and equity. A man who has spent a sizeable portion of his life in building up a successful business is sometimes needlessly fearful of losing control or of diluting his earnings.

2. Endeavoring to borrow less money than is needed to do a proper financing job. In some instances, this could be worse than a heavy debt in relation to the company's net worth.

3. Lack of proper financial controls. The average small business has been built up by men whose competency lies in fields other than finance. The accountant is often no more than a bookkeeper and is not in a position to and sometimes not capable to set up proper controls to insure satisfactory profit margins. In many instances, it is necessary to have a certified public accountant prepare figures that are understandable. Prudential insists upon a projection of future cash needs to determine the adequacy of the financing and, where necessary, on the hiring of a skilled accountant.

4. Presentation of inadequate financial information by certified public accountants, for several reasons: (1) a captive accountant not in a position to enforce proper financial procedures; (2) management's restriction of the scope of the audit; (3) management's or the accountant's thinking oriented to save income taxes, which makes it difficult to determine the true earning power of the company.

5. Unaudited statements.

6. Dependence upon one or a very limited number of customers for sale of the company's products.

7. Inordinate salaries or dividends.

8. Mixing of the personal affairs of management and the business, such as the lending of money back and forth among affiliated companies as though they were one company, or the payment of salaries or dividends to members of the family or relatives who make no real contribution to the company.

9. Failure of management to recognize that affiliated companies are not the same legal entities as the borrowing company and to understand that guaranties or cross-guaranties will not always satisfy the lender.

EXECUTION OF LOAN AGREEMENT

When a loan is granted, the Prudential requires execution of a loan agreement with the note. This agreement sets forth the ground rules under which the company will operate, and outlines what it may or may not do during the period of time the loan will be in force. While the agreement is commonly called restrictive in its nature, it is designed to allow management maximum freedom of action consistent with sound financial practices.

It requires the furnishing of an annual audit by an

(Concluded on page 30)

The Threat from Within:

Inflation Factor in Shocking Fire Loss

By JOHN A. NORTH*

IN HIS PROCLAMATION designating October 8-14 as Fire Prevention Week, the President of the United States declared that our nation can ill afford the inexcusable waste of our resources by fire. As other presidents have done over the years, he reminded us again that the support of *all* citizens is necessary to reduce this shameful waste caused by preventable fire.

The economic loss to our country has no parallel in any other country on the globe! We may be a rich country, but we are not rich enough to afford such a careless disregard of our responsibility toward our tangible assets and their preservation. We are confronted by a most serious challenge!

Today, in a world faced with many tensions, we as a nation must naturally be prepared to counter any threats to our security from outside. Equally important is a threat from within, so destructive that more than a billion dollars worth of property will probably be destroyed this year, as last.

> *"A part of the shocking fire loss can be attributed to inflation.*
>
> *"In the twelve years immediately following World War II, building costs about doubled, and the inflationary trend has continued."*
>
> JOHN A. NORTH

LABOR AND TIME LOSS

In addition to the materials, finished products, and permanent capital investment destroyed by fire, the labor and time lost cannot be recovered, even though insurance compensates for much of the monetary loss. To replace them requires materials and labor necessarily diverted from production of new stores, factories, dwellings, and the productive effort generally.

In manufacturing plants, when fire destroys, productive capacity is eliminated, until restored, from the nation's economy as well as from its defense effort.

The nation's fire loss has constantly pursued an upward trend. Since 1935, there have been only three years in which the loss by fire dropped below that for the previous year. In 1935, the aggregate property loss was $235,263,000. There was a gradual increase in the amount of fire loss thereafter, due in part to a substantial program of construction and production combined with rising costs of material and labor.

At the end of the Second World War, the aggregate property loss from fire for the year 1946 was $554,070,000, and on the eleventh subsequent year the total amount of damage from fire crossed the billion dollar mark. Each year thereafter, this fire waste has been in excess of a billion dollars, and for the first six months of 1961, fire losses were more than 10 per cent above those of the same period for 1960. It may very well be that 1961 will develop a new high in the waste of property destroyed by fire.

THE INFLATION FACTOR

While in the post-war period there has been a very rapid growth of reproducible assets such as buildings, equipment and contents, which has provided more material to burn, a part of the shocking fire loss can be attributed to inflation. In the twelve years immediately following World War II, building costs had about doubled and the inflationary trend has continued.

In view of the global situation, a tremendous expenditure of funds for international security is a part of our own national defense. We can assume that these world problems are being reflected locally in a continuing rise in costs of materials and commodities. This upward trend then may be reflected in the dollar value of future fire losses.

PERIODIC REVIEW OF VALUES

While the destruction of property by fire represents an economic waste of materials and time and labor, its financial loss can be overcome through the purchase of insurance from a professional risk bearer. However, here again the spectre of inflation rises to disrupt the full monetary protection afforded by insurance, particularly where no attempt is made to keep abreast of changing conditions.

What is needed to obtain full financial safeguards is

a periodic review of values based on current costs so that, in the event of fire, sufficient indemnity will be available to provide the means for rebuilding or replacement.

Over the years the insurance business has called to the attention of the insurance buying public the necessity for a constant review of insurable values. Today, more than ever, this review of values and costs should become a routine of good business practice which is necessary for adequate insurance protection.

SQUEEZE ON HOUSEHOLDER

The problem of loss by fire and depletion of the dollar due to the inflationary trend are not confined to business and industry alone. Too often, the effects of fire fall most heavily on those who can least afford it—the average American family. The householder faces a two-way squeeze. The rising costs of everyday living threaten his budget, yet, in the event of fire, these same rising costs increase the amounts needed to repair or replace, thus creating a heavier drain on household finances. This points up again the need for adequate insurance protection.

Considering the fact that in communities of more than 2,500 population there were 285,800 residential fires in 1960, it is clear that these fires imposed their own heavy drain on the economy. It follows then that the householder, like business and industry, must make every effort to search out fire hazards in his home and eliminate them.

It is not my purpose here to set forth the rules for fire prevention but rather to point out that the observance of Fire Prevention Week is a public "attention getter", to promote year-around alertness to the serious problems induced by fire and to emphasize that most fires can be prevented and the subsequent economic waste avoided. Suffice it to say that rigid adherence to the factors of fire prevention, and constant awareness that more than 11,000 lives are needlessly lost each year, can do much to overcome the shameful waste of life and property which occurs annually in this country.

One might ask, "What has our past fire prevention effort accomplished to improve the situation?" We can get a perspective of the value of fire prevention by considering the relation between property values destroyed by fire and our national wealth measured in the value of things that can burn.

With due allowances for the inflationary impact, we can gain some encouragement. For instance, from 1896 to 1904, the ratio of fire losses to national wealth was .293 per cent. Twenty years later, from 1915 to 1924, this ratio had dropped to .19 per cent. The ratio fell off to .107 per cent in the period from 1935 to 1944 and, more recently, from 1955 to 1958, the ratio of fire losses to national wealth was reduced to only .091 per cent. Thus, in those sixty-odd years, the fight against fire reduced the ratio by two-thirds. Yet the fight cannot stop so long as fire poses its threat to lives and property.

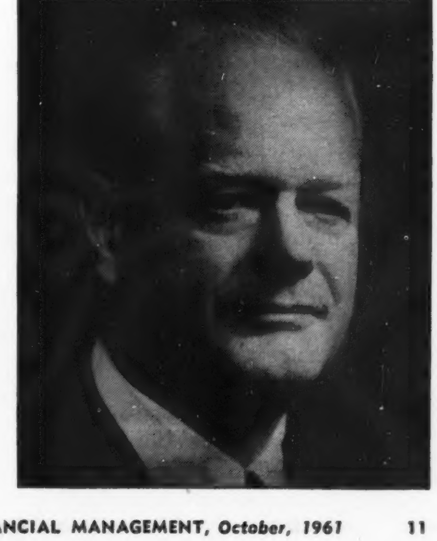
It is estimated that 75 per cent of all fires can be attributed to human carelessness. It follows then that if people cause the majority of fires, people can eliminate the majority of fires. In 1960, there were 11,350 lives lost as a result of fire, and the property loss was more than $1,100,000,000. This fire waste did not involve a complete financial loss to the owners of the property because the institution of fire insurance provided the funds to take up the bulk of monetary loss, but no compensation known can make up for the loss of human life which, in so many cases, need not have occurred.

The annual fire waste which plagues this country can be reduced. Fire Prevention Week affords us an opportune time to chart a new program of careful adherence to the principles of fire safety. Prevention of fire with its ugly aftermath is not only intelligent business practice, but in these days of world tension, particularly, it is good citizenship, with assurances of immediate benefits.

* **JOHN A. NORTH,** ***chairman of the board of The Phoenix of Hartford Insurance Companies and president of The National Board of Fire Underwriters, is a past president of the NACM Northern Connecticut Division (Hartford).***

Mr. North, a graduate of Hotchkiss School, entered the Phoenix organization as a clerk but left for Yale University a year later. On graduation he returned to Phoenix and successively was state agent in Texas, assistant secretary, secretary, a director, executive vice president, president, and in the past year was advanced to board chairmanship.

Over the years, Mr. North, the National Board, and its general manager, Lewis A. Vincent, have been notably cooperative with the National Association of Credit Management.



Embezzlement: The Crime of Honest People

Is the Enigma Traceable to Serious Decline in Moral Integrity?

By GEORGE A. CONNER
Vice President
Fidelity and Deposit Co. of Maryland
Baltimore, Maryland

IN the past 12 months more articles and news-stories having to do with the crime of embezzlement have come to my attention than ever before in my 33 years' experience as an underwriter of insurance against the risk of employee dishonesty.


G. A. CONNER

Trade magazines in many fields have run feature articles on employee thefts, and have cautioned their employer-readers they had better see to it that their internal controls and other dishonesty-loss preventives are kept up-to-date and enforced. And hardly a day passes that the newspapers do not report at least one embezzlement of sensational proportions.

We seem to be witnessing a serious, indeed a shocking, decline in moral integrity. Far too many of our people seem to be taking the term "welfare state" literally and to have adopted the attitude that the world owes them not only a living but a darned good one.

We are a race of imitators. We admire the success of business tycoons, the influence of politicians and the glamorous lives of stage, screen and TV idols. We consciously and unconsciously imitate in trying to achieve similar successes.

Unfortunately, some of these public figures have set rather poor examples. Their unprincipled conduct has undoubtedly encouraged some malcontents and poorly-adjusted employees to rationalize their own individual situations to justify acts they normally would not condone.

Quiz shows at the peak of their TV popularity took a tailspin when they were discredited for perpetrating one of the greatest flim-flams in the history of public entertainment. The moral decay was so great that many accepted a fixed program as necessary to a good show.

Scandals in high government echelons received such publicity as to raise a question in the mind of the public as to who could be trusted.

Conflict of interest cases in large and well-regarded corporations have caused resignations of top executives.

Price-fixing in a leading industry resulted in the jailing of officials who had had the respect of many people and held the destiny of many employees in their hands.

We are told that fraud by corporations in their contracts with the Defense Department of the Federal Government has taken the form of padding charges for material and parts, inflating overhead, using false wage rates, faking costs of tools, padding payrolls, expensive travel charges.

Effect on Fraud in High Places

The average person who had been a responsible and respected employee for years had learned to respect and look up to his leaders in the business field, the political arena and the entertainment world as people to be envied. What effect does the exposure of fraud and corruption in their high places have upon the average citizen? What is more natural than for him to say, "They are getting theirs; why shouldn't I get mine?" Companies which have entered into illegal contracts or which are cheating on their legal contracts are issuing an open invitation to their employees to assume a philosophy of "get away with what you can so long as you are not caught".

Review the story of Douglas W. Johnson, Negro janitor in Los Angeles. Finding a bundle of unmarked bills lying in the street, he did what he knew was right; he turned over the money—$240,000— to the F.B.I. Johnson was given a reward of $10,000 and offered a permanent job by the armored car service which had lost the money.

What happened? Johnson's 16-year old son ran away from home. Johnson's wife was upset. Johnson said, "I wish I had never seen any of the money".

Why? Johnson, his wife and his son had become targets of people who scoffed at the man's honesty. His son heard his schoolmates call his father a stupid fool. The family received letters in the same vein.

Look at the influence of these happenings on the youth of our nation. Would anyone ever have guessed that college basketball games would become the target of racketeers and that as many as 31 individual players from some of our best colleges would be involved in accepting bribes for fixing scores?

The climate created by some in high places is unquestionably responsible in part for this moral deterioration. No one knows how far the influence of fraudulent acts of these public figures extends.

People in general, excepting the out-and-out crooks, may be divided into two groups. Those in the first group are thoroughly honest. They would not under any circumstances commit a fraudulent act.

Those in the second group, however, are more easily influenced by the acts of these public figures. Their moral fibre is weakened to the point that it is not too difficult for them to sacrifice a life of honest living for an unmerited financial gain. This latter group is most likely to be affected by a combination of the following two factors:

(1) easy access to funds or merchandise because of a loose or broken down system of internal controls;

(2) frustration caused by job discouragements, and social troubles caused by irritable disposition, worry habits, lack of balance in life, difficult home situations, fear, revenge, lack of faith, lack of standards.

The presence of the two factors results too often in employees rationalizing their acts as not being dis-

(Continued on page 27)

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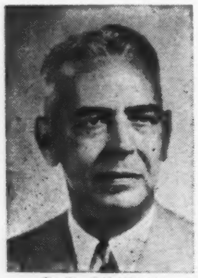
Collision Damage, Negligent Operation, and Launching Accidents

New Hazards of the Space and Atomic Age

By GEORGE T. COWAN
Vice President
Johnson & Higgins
New York, N. Y.

PREDICTIONS that launching of space rockets may increase to 1,000 by 1965, and a decade later to as many as 50,000, point up the potential destructiveness of the space age and its tremendous impact on the insurance industry and coverage.


G. T. COWAN

Many of the spacecraft will be owned by private industry, which then will be faced with the need for insurance against such calamities as collision damage, negligent operation, and launching accidents.

"Nepia" (Nuclear Energy Property Insurance Association) had its first relatively serious loss in April last year. This involved a power excursion in a test reactor of a leading commercial company which produced a melt-down and substantial problems of decontamination and the handling of a very "hot" material. It was reported that settlement of the loss would be in the neighborhood of $750,000, chiefly the cost of decontamination and cleanup.

Potentials of Loss

Among potentials of loss is the plunging from space to earth of parts of rockets. There was the crash of the second stage of an American rocket onto a South African farm in September last year, and more recently the fall of a destroyed, defectively operating American rocket upon Cuba.

Increased possibility of personal injury and property damage, from jettisoned engines and propellant tanks, can be expected to develop in the future under the method of increasing the velocity of a multi-stage rocket by utilizing two or more rockets, mounted tandem fashion, which drop from the main rocket as their fuel is spent.

Meanwhile, consideration should be given to the present exposure of manufacturers of missiles or spacecraft or component parts. Accidents can and do occur in the testing, manufacturing and handling of parts of missiles or spacecraft, because rocket fuel is highly explosive and may cause blast or fire damage.

The rocket is basically an internal combustion engine, but in a rocket the work performed is different in that it exerts a "push" on the rocket itself and thereby gives it motion. Furthermore, the rocket carries its own supply of oxygen and therefore can operate in a vacuum, such as in space.

Under the Atomic Energy Act, the Government protects its contractors against liability arising from any nuclear incident, but there is no similar provision in the Space Act, even though the possibility of utilization of nuclear energy is not remote. Inevitable advances in science will bring immeasurable changes, as will the worldwide scope of possible damage with resultant litigation.

Developments in Insurance Policies

Among developments in insurance policies for the atomic energy and space age, the Atomic Energy Commission has revised the form of agreement to be executed with licensees who purchase financial protection from "Nelia" (Nuclear Energy Liability Insurance Association) or "Maelu" (Mutual Atomic Energy Liability Underwriters). The amendment closes the gap which could have arisen from a "common occurrence". The Government indemnity will now reach down to the capacity of the individual syndicate ($46.5 millions for "Nelia" and $13.5 millions for "Maelu") instead of the combined pool capacity of $60 millions.

Both the "Facility" and the "Suppliers and Transporters" policies, finalized last year, are now in use. The following changes were made:

1. The new "Facility" policy includes coverage of nuclear incidents occurring in the course of transportation of nuclear materials from any location (formerly covered only if from a facility owned by the United States).

2. Period of prior notice before a policy suspension is effective was increased from 12 hours to midnight of the business day next following the date on which the commission receives notice of suspension.

3. With respect to a "common occurrence", coverage was formerly limited to an amount equal to the largest single limit purchased by any one of the involved licensees or suppliers and transporters. Coverage has been increased to the aggregate amount of insurance applicable or the pool capacity, whichever is the lower.

Revolving Rating Fund

As there was no experience on which to base any actuarial formulae to determine a "fair" premium for any given reactor, the "pools" conceived a ten-year revolving rating fund on a retrospective principle. Under this plan, premium remaining in the "pools" at the end of 10 years, after allowance for administrative costs, reinsurance and losses, is returnable annually thereafter to the policyholders contributing to it.

Atomic Energy Physical Damage

GEORGE T. COWAN, ***past chairman of the National Insurance Advisory Council of NACM and the Insurance Committee of the New York Credit & Financial Management Association as well as a director of the latter, is vice president of Johnson & Higgins, New York, international insurance brokers and pension plan consultants. With the firm since 1942, as an account executive he was instrumental in development of several new types of coverage. He is an alumnus of the American Institute of Banking and holds the CPCU designation.***

Among other posts held: member advisory committee, School of General Studies, Brooklyn College; consultant, Savings Banks Insurance Forum of the State of New York; insurance advisor, National Association of Mutual Savings Banks.

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insurance is available in the aggregate of $65,789,473 of the two pools made up of $55,789,473 for "Nepia" and $10,000,000 for "Maerp" (Mutual Atomic Energy Reinsurance Pool).

The past year has also seen the adoption by "Nepia" of a most important change, a "blanket subrogation waiver" which eliminates the possibility of subrogation actions by "Nepia" against suppliers of parts and equipment as respects damage to on-site property.

New Language Of Space Age

The Soviet (orbital) and American (sub-orbital) space flights confront us with not only new insurable risks but also a new language peculiar to the Space Age, says Mr. Cowan.

The Commerce Department's Office of Technical Services has published a 75-page "Interim Aerospace Terminology Reference," from which he has selected the following new words and their definitions:

ASTRONAUT: One who flies or navigates through space.

SYNERGIC ASCENT: An upward flight designed to give optimum fuel economy with optimum velocity.

BARBER CHAIR: "An adjustable upright seat which can be converted into a bed, so as to increase an astronaut's tolerance of high acceleration".

AEROEMBOLISM: Illness marked by the formation of gas bubbles in body tissues, something that can happen in a rapid change of altitude.

CISLUNAR: Space between the earth and the moon.

LO_2: Liquid oxygen, also known as "lox".

SPACE: That part of the universe between celestial bodies.

New "Decontamination Service" Urged against Atomic Radiation

Calling atomic radiation a more dangerous hazard than any others to which insurance companies are traditionally exposed, I. Craig Roberts, deputy director for health and safety in the Chicago Area Office of the Atomic Energy Commission, says a new form of "decontamination service" must be developed to prevent human exposures to radioactive properties.

Addressing a symposium sponsored by the National Association of Mutual Casualty Companies and the Federation of Mutual Fire Insurance Companies, Mr. Roberts declared the most serious damage from radiation will result from Alpha rays getting into the bloodstream, but Beta and Gamma rays, and free neutrons, must also be avoided.

Faulty Security Practices Costing Companies Millions

American concerns are losing hundreds of millions of dollars a year in pilferage, through faulty security practices, such as employment of undesirables, and consequent theft of company secrets, says the American Society for Industrial Security, professional association made up largely of security personnel of companies in defense and non-defense work.

Bank Lock Box Helps Make Funds Available, Cuts Work, Reduces Risk

By R. C. MECKLEY*

LOCK BOX handling of remittances by bank interception has gained tremendously in popularity among corporate treasurers and credit managers. Its widespread acceptance has proved that the banking industry has devised a service of tangible benefit to many companies, large and small.

Basically, the plan is simple, in some respects a refinement of the familiar older style depository account. The company rents a post office box and appoints the bank its agent to collect all mail received therein. The company then instructs its customers in that sales area to forward all remittances to that post office box address. The bank makes periodic pick-ups each day, processes and deposits the checks to the company's account. A daily advice of credit for the deposit, together with information regarding the individual payments received, is forwarded to the company for subsequent posting to its accounts receivable ledger.

There are three major benefits:

1. It increases availability of funds;

2. It decreases the amount of clerical work involved;

3. It reduces credit risk and exposure.

As for availability of funds, we might use as an example a company headquartered in New England which has sizeable sales in the Rocky Mountain region. The company has its customers send payments to the home office. It might take two days for an item to reach the home office, another day for it to be processed and deposited, and two more days for it to be sent through bank channels and paid by the bank on which drawn.

Reduction of this "float" is one of the most important factors in the success of the lock box service. Were that New England company to instruct its customers in the Rocky Mountain sales region to send payments to a Denver lock box to be processed by our bank, the amount of mail time could be reduced by one day, the one day used in clerical processing would be eliminated, and the collecting time could, in some cases, change from two days to immediate credit. Thus we could conceivably reduce the "float" from five days to one day. To corporate treasurers, the advantage is obvious. If a company is borrowing funds for current operations, this lowers interest expense and in some cases might even eliminate it. If the company is not borrowing, these presumably would be excess funds which could be invested to provide additional income.

The saving by decreasing the amount of clerical time involved is readily seen. The company does not have its own people opening the envelopes, comparing checks with invoice, indorsing the checks, and making up the deposits, in some cases delivered by company personnel to the bank. Instead, the bank does all this. Some companies have been able to eliminate two full-time individuals in their cashiering department. I understand this feature is also very desirable from an auditing standpoint, in greatly reducing the possibility of embezzlement. These two factors are more important to some companies than the increased availability of funds.

The third factor, reduced credit risks, is a by-product of the reduction in float. Obviously, it is wise to have checks processed as rapidly as possible. If a customer writes checks to many suppliers concurrently, and there is a shortage of funds in his account, those checks which reach the bank first are the ones paid. When a check is returned, for any reason, it is best that the credit manager know about it as soon as possible, to enable him to make the most rapid follow-up.

Another benefit brought out by many companies is improvement of customer relations. Others say the system gives them a more efficient accounting procedure.

No two companies have a bank handle their receivables in exactly the same manner. For that reason, most banks keep the plan flexible, to fit each company's requirements.

> ***"The lock box system is designed to augment the trend toward more centralized accounting, and enables national companies to continue to realize the benefits of availability of funds through the use of a local account.***
>
> ***"We have seen many national companies open regional lock box accounts as a part of an overall change in procedure".***
>
> **—R. C. MECKLEY**

The big difference comes in the method of reporting individual remittances to the company, and this is dictated largely by what accompanies the payments, whether it be a detachable bill top, a statement, a punch card stub, a duplicate invoice, or, in the case of some customers, nothing but the check in an envelope.

Under normal procedure the bank clerks first compare the amount of the check with the statement or invoice stub enclosed. If the amounts do not agree, it is up to the company to stipulate in initial instructions whether the bank should process the check and report the actual amount received, or send it to the company. For those companies using bill tops, duplicate invoices, punch cards, or statements, these provide all the necessary information.

In addition, banks will, if requested, make photocopies of the checks, which the company can then use as posting media. This is possibly the most accurate report method but

* From an address by Mr. Meckley, vice president The First National Bank of Denver, before the Hardware Manufacturers Industry Group meeting at the Denver Credit Congress in May.

it increases the cost. Some companies will ask that a special report or recapitulation of all payments received be made up on one sheet and forwarded daily with the credit advice.

In each case, the report form is designed to suit that company's needs from an accounting standpoint. Some have us merely write the amount received on the envelope, making sure that the customer's name and address are also shown, then use these as posting media. Policies of companies differ as to asking the bank to send the envelopes themselves, but without exception they request that all material accompanying the check be forwarded. Other details include use of a standard indorsement reading "Credit To the Account of Within Named Payee". In the absence of "Indorsement Guaranteed" as well as instructions for handling returned items, postdated or unsigned checks and items marked "Payment in Full" or carrying any other notation which might indicate the possibility of disagreement between company and customer, are usually sent to the company.

Assuming we have decreased float and increased availability of funds, we and most banks recommend that the bank wire be utilized to transfer funds either on an automatic basis, or at least to report deposits so that the company treasurer can then make transfers by request. Essentially it is a case of either the bank transferring to a concentration bank automatically or the company itself withdrawing either by wire or transfer drafts.

The system is being used by manufacturers, wholesalers, retailers, mortgage banking firms, insurance companies, oil companies—in short, almost any type of company can see some benefits.

With the inception of the lock box plan, it became possible for a company without a branch office but with a considerable dollar volume of sales in an area to have a depository account for receipt of payments generated there. It is designed to augment the trend toward more centralized accounting and enables such companies to continue to realize the benefits of availability of funds through the use of a local account. We have seen many national companies open regional lock box accounts as a part of an overall change in procedure. Companies based in Denver are benefiting more from the savings in clerical time than in increased availability of funds, although they usually save one day.

There is no easy answer as to whether a company can make good use of this service. Most banks suggest that the company inform them as to the number of remittances received, amounts, clerical time involved in making up deposits, and other data which can be analyzed.

When the system is adopted, the bank undertakes additional work for which, though it perhaps is performed more economically because of volume, it must be reimbursed, so that the service can be beneficial to both parties.

Methods of Reimbursement

Most banks prefer, and some insist, that they be reimbursed through balances maintained by the company; in some cases the balances generated through this account are sufficient. Other banks give the customers the option of paying a direct fee.

Because service costs vary, due to variations in companies' operations, the bank suggests that the company outline in detail just how it wants its payments handled, thus giving the bank a basis to analyze its cost of handling. This is quoted on a per-item basis, usually as a preliminary figure, subject to review after 90 days or six months, when the bank people have become familiar with the account. Costs per item can range from 1¢ to 15¢ but are normally in the 2¢ to 7¢ range. Banks already have in their service charge formula a per-item charge for each check deposited; this fee is usually additional.

The customer should expect its bank to be adequately compensated for this service. Banks, because of their trained personnel, equipment, and large volume, are in most cases able to do the clerical work more economically than their customers, and even if this is not the case, the increased availability of funds can mean a great deal to the company.

If you can't think of any other way to flatter a man, tell him that he is the kind who can't be flattered.
—N. A. Rombe

Know Your National Association—

Will the customer pay is as important a question as can he pay. The NACM helps member credit executives answer this basic question through Credit Interchange reports . . .

PART VII—CREDIT INTERCHANGE

NEARLY every day, many credit managers face three typical customer credit decisions: sizable orders from a marginal customer, from a customer the company has never sold before, and from an old, established customer whose payments lately have become slow.

Each of these orders, in its own way, raises the basic question: Will this customer pay? The experienced credit executive knows that one of his best and speediest sources of facts to answer the question is a Credit Interchange report, available through 58 local associations of the NACM.

The Credit Interchange report gives a record of how the customer is paying other creditors *now*. It consolidates the ledger experience of every known seller of the customer in all market areas of the United States.

The payment facts conveniently summarized in the report reduce the guesswork in approving credit for new, doubtful, or problem accounts. In some cases, the Credit Interchange report is the only customer information quickly available. In other cases, it is invaluable as an analytic tool, supplementing balance sheets, profit and loss statements, information from the sales department, and any commercial agency credit report. As they accumulate, Credit Interchange reports increase in value, too, for they reveal longer-period trends and patterns in each customer's condition.

An experienced credit executive of a large industrial company made this comment in the Management Study Report he wrote as part of his Executive Award requirement at the NACM's Graduate School of Credit and Financial Management:

"We must keep in mind that we are looking for prompt pay in order to turn our receivables into cash, and no matter how large or financially strong a customer's financial statement is, if he doesn't pay his bills he is slowing up our collections. Further, it must be noted that companies, if they are sound, pay their bills promptly. If they don't, here is one definite danger signal that advises the credit manager that something is wrong. One of the first signs of financial trouble shows up when a company slows up in its pay habits."

The Credit Interchange report calls such signals soonest. In the pace and pressure of today's competitive markets, business concerns often show their strengths — and weaknesses — more rapidly. The National Credit Interchange reporting system of the NACM provides a steady flow of current payment information on the mutual customers of cooperating member credit executives. The paying experience reported is complete, impartial, and the most economical way yet discovered by credit executives to get so much credit information so quickly.

HOW IT BEGAN

IN THE EARLY years of the NACM, creditors exchanged customer payment information directly. But this method proved slow, tedious, incomplete, and costly. Later, reference bureaus kept a record of creditors of each customer. The inquiring creditor obtained the names of other creditors from the reference bureau, then made his own direct contacts with these creditors. This worked adequately so long as markets were local—and goods flowed from market to market at horsecar pace.

But trains and trucks, a growing population, expanding business volume and broadening markets, made the early method of exchanging credit information obsolete. In 1921, the NACM, through 15 cooperating bureaus, established a National Credit Interchange System, with a central coordinating and control bureau in St. Louis.

Today, 58 such bureaus, dividing the entire U.S. domestic market into "zones of operation," handle Credit Interchange reporting for every interested NACM member. Each local bureau is autonomous in membership and finances (setting prices appropriate to local service costs), but

—And How It Serves You

bureaus are meshed nationally to offer a reporting service that compiles payment facts for the total U.S. market.

The system enables a quick exchange of information in the local market, and a flow of information among creditors anywhere in the national market as rapid as telegraph, telephone, TWX teletypewriters, and airmail — all of which are used to answer member inquiries swiftly.

HOW IT WORKS

A CENTRAL OFFICE in St. Louis coordinates and controls the procedures of each approved, participating bureau through the Credit Interchange Board of Governors. Its eleven-man governing body includes four NACM member Credit Interchange users and four local association secretary-managers. Each represents one of the four major territorial divisions of the NACM — Eastern, Central, Southern, and Western. The Board of Governors, according to its Rules of Procedures approved by the NACM Board of Directors, is empowered "to formulate such policies, rules and procedures as are necessary to insure the performance of satisfactory service by all Credit Interchange Bureaus affiliated with the National Credit Interchange System, and to make compliance with those rules necessary for continued affiliation of the local Bureau, subject to the right of review by the National Board of Directors."

This assures each NACM member of efficient, uniform, quality service when he requests or exchanges customer payment information through any bureau of the National Credit Interchange System.

What happens when a member orders a Credit Interchange report on a customer?

The files are immediately checked for the name, and any recent report (meaning a report less than 120 days old) is forwarded at once to the inquiring member. In the majority of cases, a requested report is on file and delivered immediately. If the report in file was compiled more than 120 days earlier, the latest report is sent if it is not more than approximately one year old. But the bureau then calls the inquirer's attention to the date of the report, and informs him that a new clearance has been begun.

As soon as information from the local market is available, a preliminary report is issued. If further information from nearby markets comes in before a final report can be compiled, intermediate preliminary reports may be issued.

The complete report is generally available within two to three weeks after the Bureau receives the inquiry. Bureaus cooperate with each other in obtaining information in widely scattered markets. Completion time, obviously, depends on a number of variable factors. According to one bureau manager, a report written on a local retailer purchasing only from local wholesalers will generally be completed in less than one week. However, reports on wholesalers and manufacturers purchasing nationally will tend to take longer because the sources of supply are widely dispersed.

WHERE REFERENCES COME FROM

MEMBERS themselves provide the bureau with the names on which clearances are to be made, either by submitting complete customer lists or by inquiry sheet. As the bureau accumulates names from a variety of creditors and over a growing period of time, the references from whom customer information is obtained represent a growing percentage of the customer's creditors — and hence the most complete available picture of his payment habits.

When the local bureau receives the name of a customer or reference, it is coded by industry and company. This preserves the confidential na-

WHEN TO ORDER A CREDIT INTERCHANGE REPORT

1. *Every time you investigate a first order.*
2. *When you receive an unusually large order or a number of direct inquiries on a customer.*
3. *When you first notice a definite change in your customer's payment habits, for better or worse.*
4. *When you analyze receivables periodically, see that you have late Credit Interchange reports on all slow-pay accounts.*
5. *When you are reviewing company credit policy on marginal accounts.*
6. *When considering any collection procedure, examine the total payment picture provided by the Interchange report. A single inquiry brings you the ledger experience of many suppliers, in all lines of business, from all parts of the country.*

ture of exchanging credit information, particularly among companies that may be selling competitively to the same customer.

Prompt member cooperation is the secret behind the strength and success of the Credit Interchange System. The creditor not only asks for information on a specific customer, but also gives his own experience. Credit Interchange operates most successfully when all members cooperate.

WHAT THE REPORT TELLS

THE Credit Interchange report tells the customer's paying story in eleven, easy-to-read columns of information. (For a facsimile report, see below.)

BUSINESS CLASSIFICATION — This column reveals two important facts: where the customer buys, and what he buys. Buying in many markets may indicate lack of creditor confidence. Buying one line from too many suppliers may raise questions about the value and variety of the customer's inventory.

HOW LONG SOLD—is a quick indicator of the length of time an account has been in business and the degree of loyalty he shows suppliers.

DATE OF LAST SALE — shows you exactly how recent the payment experience is.

HIGHEST RECENT CREDIT — is an important starting point for a broader evaluation, since the customer's normal requirements, business size, current liquidity, and practice in taking discounts all may affect the figure. This series of data should be compared with other columns on the report to be evaluated.

NOW OWING and PAST DUE — These two columns should be reviewed against the highest recent credit column, and in the light of your own specific experience with the customer. This column information can be a clue to companies that may be paying certain creditors to build them as trade references. Past-due amounts must also be reviewed with care, and related to the total payment record. A trend may be changing; an account may be in dispute. The column discloses whether a customer is generally indebted to all sources of supply, or whether all are being promptly paid.

TERMS OF SALE — is of interest when compared with the paying record columns. If the customer is taking all offered discounts, it probably indicates sound management. Variations call for further questioning and analysis.

COMMENTS — may indicate a pattern, or specific variance from it. For instance, if a dozen suppliers report discount and one reports "turned over for collection," it could mean that a dispute is involved.

It is the total picture provided by the Credit Interchange report that counts most, especially as it illuminates the inquiring company's own experience and other information about the customer. A series of Interchange Reports reveals trends and changes in the making.

A pamphlet describing how to analyze an Interchange report, giving a step-by-step illustration of what the factors in each column mean, is available. Order "How To Analyze an NACM Credit Interchange Report" from your local association or from the National Association of Credit Management, 1104 Arcade Building, St. Louis 1, Missouri.

FACSIMILE OF A CREDIT INTERCHANGE REPORT

FORM 6

NATIONAL ASSOCIATION of CREDIT MANAGEMENT

Guarding the Nation's Profits

Credit Interchange Report

OFFICES IN PRINCIPAL CITIES

-------------- & CO

--------------NEW JERSEY
164------BLVD.

OCTOBER 2, 1961

The accuracy of this Report is not guaranteed. Its contents are gathered in good faith from members and sent to you by this Bureau without liability for negligence in procuring, collecting, communicating or failing to communicate the information so gathered.

BUSINESS CLASSIFICATION	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST RECENT CREDIT	NOW OWING (INCLUDING NOTES)	PAST DUE (INCLUDING NOTES)	TERMS OF SALE	PAYING RECORD: DIS-COUNTS	PAYS WHEN DUE	DAYS SLOW	COMMENTS
NEW YORK PHILADELPHIA 915-50										
Elec	2yrs	8-61	1854	1500	644	10px		x	30-60	
Drg	yrs	9-61	1263	201		30		x		
Pvl	2-43	9-61	3867	316		30		x		
Mtr	1944	7-61	2044	2044	1218	30			60	Slower
Ppr	4-48	8-61	422	422	422	2-10-30			60-90	
Ppr	yrs	8-61	320	320	320	1-10	x			
Inds	6-46	8-61	569			Net 30		x		
Rfgs	yrs	5-61	141			2-10-30				Has credit bal. Returned mdse. Was 30-90 days slow.
WESTERN PA 918-519										
Fdp	yrs	9-61	1657			2-10			30	
Chem	2-49	8-61	3109	1215	438	30		x	45	Slower
BALTIMORE 918-1104										
Fdp	4-44	9-61	6672	530		Special		x		
Hdwe	yrs	9-61	1210	900		2-10-30	x		30	
NOR. WISC. MICHIGAN 918-501										
Ppr	6yrs	9-61	880			2-10-30	x			
CLEVELAND 918-456										
GenM	yrs	8-61	14304	1988	1040	1-10-30		x	10	
Inds	yrs	8-61	9800	8040	8040	1-10-30			45	

Bu 77 ms

If we achieve by hard work the things we labor for, the enjoyment we receive is tenfold.

—Ber Temple

Growing Toll of Contractor Failures Is Laid to Destructive Competition

THE rising toll of contractor failures and inadequate bids, which last year resulted in the highest loss ratio for contract bonds in a quarter century, reflects anew the "destructive and reckless competition" in the construction industry, and demands use of intelligent salesmanship and sound underwriting as control tools, says Warren N. Gaffney, general manager of The Surety Association of America.

And the end is not yet, intimated Mr. Gaffney, pointing to the 118 more failures in total construction in the first quarter this year than in the like period of 1960, representing an increase of $4 millions in current liabilities. Overall, last year there were 543 more contractor failures than in 1959.

"There has been a marked deterioration in the contract bond experience which has prompted seasoned surety men to assert that 1960 was the worst year for the contract business since 1934," declared the general manager of the Association at its annual meeting.

"We need not review here the oft-repeated reasons for inadequate bids and contractors' failures. They are many, but it is necessary to recognize that for the most part they are the same reasons that help produce the chief villain of the plot, namely, the deadly and reckless competition which has plagued the construction industry for a number of years.

"When we thus point accusingly at this condition we do not overlook that some unique and new challenges, such as Government missile bases as well as altogether too many time-consuming change orders on federal work, may have contributed substantially to the near-debacle for contractors."

An unofficial survey among Surety Association members and five of the principal professional reissuers confirmed, he said, that "the loss ratio for contract bonds last year was significantly higher than in a quarter of a century."

Release of Mechanic's Lien Bonds

A SPECIAL RATE for Release of Mechanic's Lien Bonds, issued on behalf of bonded contractors after approval by the contract bond advisory committee, "constitutes a 50 per cent reduction," Mr. Gaffney reported, "and will mitigate the criticism previously raised by contractors who contended that they were often forced to obtain duplicate coverage. They had argued that claims asserted by creditors of an insolvent subcontractor were covered by a Performance Bond or Payment Bond applicable to the same job against which the mechanic's lien claims were pressed."

Bar Association Indemnity Bond

UNDER the Bar Association Indemnity Bond, promulgated by the Surety Association early this year and approved as to rates and rating procedures in all but four states at the time of the Gaffney report, indemnification is provided an insured bar association for losses, out of the Client's Security Fund, caused by dishonesty of clients' attorneys.

Excess Bank Employee Dishonesty Blanket Bond

COMPARATIVE apathy of commercial banks toward the available $1,000,000 Excess Bank Employee Dishonesty Blanket Bond, Standard Form No. 28, turned to active interest after a letter from The Surety Association to all commercial banks and then the year-end's Sheldon, Iowa, bank loss in which a woman banker "was alleged to have abstracted over $2 millions from a bank whose capital and deposits were only about $2.5 millions." Bank examiners and many supervisors of state banks are now calling bank directors' attention to consideration of the offered low cost excess dishonesty coverage.

From the 29 commitments as of October 1960 for the Form No. 28 bond, the total had risen to 2,886 by April 30 this year.

Are Operations and Exposures of Your Compan

By PETER A. ZIMMERMANN
Assistant Secretary
The Surety Association of America
New York, New York

CHECKLIST OF POSSIBLE CAUSES O

Prepared by the Insurance Committee of New Yor

CASH	ON PREMISES	Dishonesty of employees or officers—Burglary or Holdup—Mysterious disappearance—Direct Physical damage such as fire and extended coverage perils, sprinkler leakage, malicious mischief, vandalism, etc.
	IN OFFICE SAFE	Burglary of safe—Dishonesty of employees or officers—Mysterious disappearance—Fire and extended coverages, explosion, flood, earthquake, riot, windstorm, sprinkler leakage, vandalism, malicious mischief, etc. Kidnapping of employee, forcing to return and open office safe.
	IN TRANSIT	Employee dishonesty—Fire, explosion, flood, earthquake, riot, windstorm, vandalism, malicious mischief, etc.—Holdup or robbery—Mysterious disappearance.
	IN THE BANK	Dishonesty of depositors, employees or officers—Forgery of checks.
ACCOUNTS & NOTES RECEIVABLE	ON PREMISES	Insolvency of debtors—Destruction of records through any cause such as fire, explosion, flood, earthquake, riot, windstorm, vandalism, malicious mischief, etc. Dishonesty of employees.
INVENTORY	ON PREMISES	Direct physical damage such as fire and extended coverage perils, sprinkler leakage, malicious mischief, vandalism, etc.—Dishonesty of employees or officers—Robbery or burglary—Mysterious disappearance—Boiler and pressure vessel explosion.
	IN TRANSIT	Employee dishonesty—Fire, explosion, flood, earthquake, riot, windstorm, vandalism, malicious mischief, etc.—Holdup or robbery—Mysterious disappearance—Damage or destruction while in custody of carrier.
	IN WAREHOUSE (INCLUDING PLEDGED)	Direct physical damage such as fire and extended coverage perils, sprinkler leakage, malicious mischief, vandalism, etc.—Dishonesty of employees, officers, or warehousemen—Robbery or Burglary—Mysterious disappearance.
	IN PROCESS	Direct physical damage such as fire and extended coverage perils, sprinkler leakage, malicious mischief, vandalism, etc.—Dishonesty of employees or officers—Robbery and burglary—Mysterious disappearance—Negligence of processors.

EVERY well-informed credit executive knows, or should know, the value of insurance both to his own company and to its accounts. The Insurance Committee of the National Association of Credit Management consistently endeavors to emphasize the ever-present danger in the lack of insurance coverage and the possibility of underinsurance in any given situation.

P. A. ZIMMERMANN

Taking a leaf from the book of the advertising profession and adopting its technique of repetition, we are again presenting the accompanying chart of possible causes of loss. Many changes in personnel representation of insurance in commercial companies, because of retirements and successions, have taken place since publication of the chart in the October 1954 issue.

The chart was prepared at that time under the supervision of Wallace E. Jeffrey, vice president of Marsh & McLennan, Inc., a former chairman of the Insurance Committee of the New York Credit & Financial Management Association, and past chairman of National's Insurance Committee.

The chart, in our opinion, is as applicable and informative today as it was then. No claim is made that it is complete in detail; it is intended to present a broad perspective of the loss potential.

To lend added weight to the timeliness of a consideration of losses and to give some idea of their significance to those who pay your insured losses, note the following comments which have been gleaned from publications and promulgations of the insurance industry.

Estimated fire losses last year (1960) rose to a record high of $1,107,824,000, an increase of 5.8 per cent over 1959, the National Board of Fire Underwriters recently announced.

***

PETER A. ZIMMERMANN, *chairman of the NACM's National Insurance Committee, a director of the New York Credit & Financial Management Association and past chairman of its Insurance Committee, is assistant secretary of The Surety Association of America, and supervises commercial fidelity bond rating procedures. October marks the 25th anniversary of his service to the Surety Association.*

Mr. Zimmermann entered the field with U.S. Fidelity and Guaranty Company in 1923.

He has been an instructor at Brooklyn College and in the School of Insurance of the Insurance Society of New York.

any and Your Customers Adequately Insured?

OF LOSS TO ASSETS OF A BUSINESS

York Credit & Financial Management Association

MACHINERY AND FIXTURES	ON PREMISES	Direct physical damage such as fire, windstorm, etc. Breakdown of machinery—Boiler and pressure vessel explosion.
SECURITIES AND INVESTMENTS	ON PREMISES	Fire, explosion, flood, earthquake, riot, strikes, windstorm, vandalism, malicious mischief, etc.—Dishonesty of employees or officers—Forgery, burglary, robbery, or theft—Mysterious disappearance.
	IN OFFICE SAFES	Fire, explosion, flood, earthquake, riot, strikes, windstorm, vandalism, malicious mischief, etc.—Burglary or robbery—Mysterious disappearance—Kidnapping of employees, forcing to return and open office safe. Dishonesty of employees.
	IN TRANSIT	Dishonesty of employees or officers—Holdup, robbery, or theft—Loss while in custody of carrier—Mysterious disappearance.
	IN THE BANK	Direct physical damage such as fire, windstorm, etc.—Dishonesty of employees or officers—Forgery.
REAL ESTATE	ANYWHERE	Direct physical damage such as fire, windstorm, etc.—Boiler and pressure vessel explosion.
AUTOMOBILES, TRUCKS, TEAMS, ETC.	WHEREVER THEY MAY BE	Fire, theft, collision, etc.
ALL PRECEDING ASSETS SUBJECT TO EXPENSE AND JUDGMENTS ARISING OUT OF CLAIMS FOR PERSONAL INJURIES AND/OR PROPERTY DAMAGE RESULTING FROM:		OWNERSHIP OF BUILDING—OPERATION OF ELEVATORS — EXPLOSION — BOILERS, MACHINERY, PRESSURE VESSELS — AUTOMOBILES — COMPANY OWNED, EMPLOYEE OWNED, HIRED CARS, USE OF PRODUCTS SOLD—ACTS OF EMPLOYEES IN COURSE OF EMPLOYMENT—APPLICATION OF WORKMEN'S COMPENSATION LAW, DAMAGE BY SPRINKLER SYSTEM.
PROFITS AND EARNINGS SUBJECT TO LOSS FROM:		DESTRUCTION OF BUILDING — BREAKDOWN OF MACHINERY—EXPLOSION OF BOILER—EXTRA EXPENSE TO MAINTAIN OPERATION UNDER EMERGENCY CONDITIONS—DESTRUCTION OF PLANTS OF OUTSIDE SUPPLIERS—DISHONESTY OF EMPLOYEES OR OFFICERS—FAILURE OF PUBLIC UTILITIES—DEATH OR DISABILITY OF KEY MEN.

In the first half of 1961, the nation suffered a record number of storms, causing millions of dollars in property damage. Insured losses, alone, were in excess of $50 millions, states the General Adjustment Bureau, an organization which adjusts claims for insurance companies.

In reviewing the underwriting results of the Commercial Property Coverage program, a spokesman for the insurance industry called attention to the fact that companies lost money each year in the period 1956-1959, and indicated that underwriters must become more selective in order to correct this situation and improve their loss experience.

Ownership of motor vehicles and number of miles driven set new records in 1960. There were 73.9 million vehicles, including 61.6 million passenger cars. Motor travel in the year climbed to 720 billion miles, according to statistics that have been published by the Automobile Manufacturers Association. Registrations have increased each year in the last decade. If the present trend continues it is obvious that auto physical damage losses will increase, and motor vehicle accidents as well.

The Insurance Information Institute, commenting on an article relating to the subject of insurance which appeared in Life magazine a few months ago, points out that

> "—the cost of property and casualty coverages is the smallest part of the total cost of security for the typical American family
>
> "—the principal blame for the 'high cost' of automobile insurance is the accident rate and the irresponsible driver—
>
> "—excessive jury awards and fraudulent claims are other major reasons for increases in casualty insurance rates—
>
> "—insurance companies are constantly combatting fraud—
>
> "—caution should be exercised in the purchase of 'bargain' insurance—
>
> "—the importance of a well-rounded insurance program cannot be emphasized too strongly".

In addition to the foregoing, we need only remind you of the almost daily reports in the newspapers of embezzlements, frauds, hold-ups, and the increase in crimes in general.

Summarizing these statements, quotations and statistics, it is clear that losses of all kinds, in all fields of operations, are being sustained in greater numbers and amounts than ever before.

It behooves all of us to see that our own operations and exposures and those of our customers and clients are adequately covered by insurance. Paraphrasing a wellknown insurance company's slogan, "See your Insurance Counselor as you would your Doctor or Lawyer."

BUSINESS LIFE INSURANCE

Industry Acts to Protect Finances on Death of Key Personnel

By **WALLACE E. JEFFREY**
Vice President
Marsh & McLennan, Inc.
New York, New York

SO increasingly pronounced has been the recognition by companies and partnerships of the importance of business life insurance against potential financial loss from the death of key personnel that $5 billions of this type of coverage was taken out last year. Business life insurance in force reached a total estimated between $30 and $35 billions.

W. E. JEFFREY

While the increase in coverage has been predominantly among medium-size and small businesses, says the Institute of Life Insurance, the trend has also been marked in large corporations and among non-profit and non-business organizations as well, especially where key executives' services are vital to long-term operations.

Last year, policies issued to businesses represented 20 to 25 per cent of all new ordinary life coverage written by several life insurance companies.

Principal objectives in the writing of business life insurance, as pointed out by the business and defense services administration of the Department of Commerce, are these:

1. Life insurance or annuity to fund the future liability of a corporation under a deferred compensation contract;
2. Key-man protection to reimburse for loss or to provide replacement in the event of death of a key employee;
3. Corporation insurance, to retire a shareholder's interest at death;
4. Partnership insurance, to retire a partner's interest at death;
5. Proprietorship insurance, to provide for maintenance of a business on death of a sole proprietor;
6. Insurance to aid a firm's credit status, covering the owner or key-man during the period of a loan or the duration of a mortgage on property held;
7. In cases where the estate of a businessman consists almost entirely of his interest in the enterprise, insurance on his life and payable to his family on his death, to provide them with ready cash and to aid in liquidating his interest in the business.

Other types of personal insurance used by businesses to help stabilize activities and improve operating efficiency include pension plans for employees, group life insurance where there are enough persons employed (otherwise individual policies), disability insurance, hospitalization, surgical and medical coverages.

Customary procedure, to make certain that the contemplated business life insurance program will safeguard all phases of interests, including tax payments, is to consult the firm's legal counsel, its accountant, the trust officer of its bank, and its life insurance agent.

A factor in most programs is the building up of cash values over the years as a reserve for emergencies and for possible use as a basis for loans.

CORPORATION LIFE INSURANCE

LIFE INSURANCE protects a corporation against interruption of operations due to loss of key men such as top management executives, credit executives, buyers, sales managers, production managers, engineers and technicians. Coverage also provides funds for hiring and training replacements (usually only top key executives).

Too, particularly in the closed corporation, death of a principal stockholder can cause differences among management or other personnel, impair credit position through loss of business or damage to staff morale.

Unless special provisions have been made, a deceased shareholder's stock becomes a part of the estate and passes into the hands of the executor or administrator, who can vote the stock and, if it is a controlling interest, name a new directorate and take full control.

The business may even be liquidated unless proper steps have been taken to answer satisfactorily such questions as the effect on the business if the heirs stay in, whether the latter have the ready cash to meet death costs, if surviving stockholders can get the money to buy out the heirs, if adequate income will be provided the heirs if they retain the stock or if a buyer can be found for the stock, and what would be a fair valuation, how the death will affect the corporation's credit standing, how sales and employee morale will hold up.

If the decision is for an adequately financed stock sale and purchase agreement, funding the agreement could be solved by life insurance, making funds immediately available, whatever the identity of the new owner of the stock. Heirs and surviving stockholders alike would be protected automatically if they were to

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WALLACE E. JEFFREY, ***who joined March & McLennan, Inc., in 1921 and is now vice president, has concentrated attentions in recent years to development of insurance programs for financial institutions.***

Past chairman of NACM's National Insurance Committee and director and chairman of the insurance committee of New York Credit & Financial Management Association, Mr. Jeffrey last winter was honored with a parchment scroll for his "leadership and dedication in contributing to the constructive growth of consumer instalment credit in the commercial banks of the United States" on its 50th anniversary.

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take over the interest of the deceased.

These benefits from such a plan with business insurance are cited:

1. Uninterrupted continuity of management is assured.

2. Outsiders cannot enter the business unless agreed upon in advance.

3. Cash for the stock purchase is automatically provided on a basis previously agreed upon as fair.

4. Common causes of friction between heirs and surviving stockholders are eliminated.

5. Widows or other heirs are saved from business responsibilities because guaranteed buyer and guaranteed price provide protection against shrinkage of stock values.

6. Credit position of the corporation is protected against damage and even improved.

7. Employee morale is assured for the period of adjustment.

Must Cover Specific Problems

The agreement, worked out by the life insurance agent and the corporation's accountant, attorney and banker, must cover the specific problems of the business, such as cost, which affects kind and amount of insurance to be placed, and special arrangements to cover the interests of a stockholder who is not insurable because of age or state of health.

Among factors to be clearly outlined are:

1. Data as to the parties to the agreement.

2. A clause binding executors and heirs as well as the stockholder.

3. Duration and purposes of the agreement.

4. Description of number and kinds of shares owned.

5. Kinds, amounts and arrangements of the life insurance set up, including specifications as to who will apply, who will pay premiums, who will receive the benefits.

6. Provision for any lack or surplus of funds.

7. Appointment of a trustee.

8. Terms of transfer at death.

9. Provision to permit sale of stock if owner may desire to sell prior to death.

10. Portion of deceased's stock each shall receive.

11. Valuation of stock and provision for periodic revaluation.

12. Provision for income and estate taxes.

Finally, periodic checkup of the corporation's insurance program is vital. The basic agreement should be revalued semi-annually if possible, key-man insurance at least annually.

PARTNERSHIP LIFE INSURANCE

BECAUSE a partnership is dissolved by the death of a partner unless legal safeguards have been taken in advance, continuity of the business is seriously endangered. The surviving partners as "liquidating trustees" cannot do any new business; the heirs cannot legally take over but can demand a cash settlement; controversy over valuation of the deceased partner's share can tie up the business in legal procedures.

All this can be avoided by a prearranged buy-and-sell agreement. Business life insurance can fund the agreement effectively and permit uninterrupted continuation of the business and assure full and immediate payment of the deceased partner's share of the net worth to the surviving family.

The basic objective of partnership business life insurance is liquidation of the deceased partner's interest. It also assures full equity for each partner's heirs, maintenance of the firm's credit standing, and interim emergency funds.

Several types of insurance programs are available, if the partners are insurable.

Under one plan, each partner buys a policy on the life of the other partners, each paying the premium himself. In another program where there are three or more partners, the firm purchases a policy on the life of each partner. In either case it is especially important in a partnership that experts check all business, legal, financial and insurance needs and facilities, and set up the final plan.

Perhaps the most complex detail is the valuation of the partnership, because the formula, for payment of full value to deceased partner's heirs at some future date, must be equitable and satisfactory to all, or may run afoul of extended legal controversy.

Setting in advance an arbitrary value on each partner's interest is the simplest plan, but this in itself does not provide against rapid change in value through business growth. The formula for settlement would be

a fixed valuation for goodwill, plus net book value resulting from current value of assets less liabilities. The plan could also call for revised valuation at specified intervals, or leave valuation to a trustee or to later arbitration under a specific arbitration plan.

Additional life insurance requirements of partnerships might be key-man insurance; pension plans, increasingly important; a group plan for hospitalization, disability, surgical or medical benefits; credit insurance; business accident and sickness insurance to cover the lost services of a partner or key man.

Checkup of the plan at least once a year is essential because of frequent change in the elements involved, as in tax laws and regulations, both income and estate, in ownership and management, in business growth and declines, in goodwill growth, and in valuation fluctuations.

SOLE PROPRIETORSHIP LIFE INSURANCE

MORE THAN 70 per cent of all U. S. manufacturing, wholesale, retail and service businesses is estimated to be one-man proprietorship.

Most states provide legally that, unless otherwise pre-arranged, when a sole proprietor dies the business becomes part of his estate, to be administered by executor or administrator and passed along as quickly as possible to the heirs. To assure continued operation, if so desired, a specific program set up in advance is necessary, to provide against the possibility of heavy loss or liquidation.

Whatever disposition is to be made of the business—left to the heirs, sold to employees or outsiders, continued by the executors or trustees, or liquidated—funds will be needed. Here sole proprietorship life insurance can be the answer.

Debts, taxes and administrative costs must be met, income for the family provided. Funds may be needed for hiring a manager for the business, for working capital for at least a period of adjustment, and perhaps funds to meet probable discounting of assets if the business is sold outright. If employees are to take over, funds for at least part of the purchase must be made available. Improved credit standing to make loans may be necessitated.

The benefits of a sole proprietorship life insurance program are accented by the time element urgency in availability of funds. Providing them by forced sale of the business almost certainly involves a loss.

A threefold program — fashioned by proprietor, accountant, trust officer, attorney and insurance agent—would include a will covering disposition of the business, a purchase and sale agreement or plan for disposal or continuation of the business, and an estimate of the funds required to carry out details of the plan.

Details of the insurance program will depend on the particulars of the situation: type of business and disposition, time urgency, funds available, and probable needs in the period following the owner's death.

As in all other businesses, the sole proprietorship may need other types of business life insurance: key employees and group life coverage, annuities or pensions, hospitalization, medical, surgical, disability. If the number of employees does not permit group policies, the proprietor can arrange for group-written individual policies. The material increase in small owners' interest in these supplementary forms of protection springs in part from the sharp competition for good workmen.

Because of the close kinship of sole proprietor life insurance with the owner's personal coverage and personal finances, a checkup at least once a year is fundamental, even more so than the annual inventory of stock.

Sabotage Protection under Extended Coverage Policies

Sabotage in peacetime, pointed up by the deliberate wrecking of three western microwave transmission towers of a subsidiary of American Telephone and Telegraph Company, is provided against by fire and extended coverage insurance policies.

The Insurance Information Institute notes that damage by sabotage or other wilful destruction of property in peacetime is covered in the protection carried by the average industrial concern.

Funds had been set aside against such contingency by the owner of the transmission towers, links in a long-distance radio relay system.

BEGUN ON PAGE 12

honest, on the mistaken theory that they are entitled to something to compensate themselves for their failures.

Employers should realize that persons in this second group, most easily affected by the showcase display of fraud in high places, are employees who have never committed a dishonest act in their lives. Practically all embezzlement losses are caused by men and women who have had long and oftentimes successful careers in the business world. These defaulters are not professionals; they are amateurs.

The insurance industry has had an uphill struggle to sell Honesty Bonds. For a long time only about 10 per cent of mercantile and industrial concerns purchased Honesty Bonds. The trend, however, is changing under the wide publicity now being given the tragic consequences of the ever-increasing fraud and dishonesty losses. It is difficult to understand why any firm should think it is immune to the catastrophe of a jumbo dishonesty loss.

When employers realize the true exposure to loss through embezzlement they will place honesty insurance in the same category as fire insurance. A comparison of the estimated annual insured and uninsured losses with the annually insured losses for both Fire Insurance and Honesty Insurance shows the small percentage of dishonesty losses covered by insurance, compared to the number of fire losses covered by insurance.

	Estimated Annual Losses Insured and Uninsured	*Losses Paid and Incurred by Stock & Mutual Companies 1960*
Fire	$1,100,000,000	$919,269,649
Fidelity	*1,000,000,000	52,759,153

* Some experts estimate this figure may be as high as $1,500,000,000.

The vast majority of concerns that carry fire insurance should carry honesty insurance to protect themselves against a loss that may wreck or impair their financial condition. It is especially important that a seeker of credit carry honesty insurance. If this is not done voluntarily, then the lender should insist upon it in the same manner it insists upon fire and other types of insurance. Although honesty insurance to value cannot be carried, nevertheless a ready Table of Recommended Amounts of Honesty Insurance is available and should be applied to every Honesty Bond.

The sale and purchase of Honesty Bonds must go hand in hand with loss prevention work. There is a great responsibility on all employers, large and small, to prevent occurrence of embezzlement losses by (1) establishing proper controls and audits and (2) improving employer-employee relationships. At the same time, it is the responsibility of the Honesty Bond underwriter properly to educate and encourage all employers in such matters.

Dr. Donald R. Cressey of U.C.L.A. made a study of trust violators in the Illinois State Penitentiary at Joliet. He wrote: "In all cases encountered, the violator had considered a financial problem which confronted him as one which he could not share with persons ordinarily available for help and advice in financial matters." He said that two factors are usually present in embezzlement losses:

(1) Opportunity—the weakness in the system of check and controls;

(2) Rationalization—the employee reasons he is not a criminal, that what he does is justified for one reason or another.

Dr. Cressey called management at fault on the first count but not responsible on the second count. I agree with his first conclusion but disagree with his second.

As to the first point, management has an obligation to its employees to set up an efficient system of checks and controls in order to remove temptation from all employees. There is an old maxim to the effect that "Opportunity makes the thief". Many embezzlements are committed by basically honest people. Evidence of this turned up in our company the other day. We received a check for $1,100 which caused us to dig into our old claim files. We found a claim had been paid more than 20 years ago on the person submitting the check. The accompanying letter said:

> "It has taken me a long time to close this account, but I made up my mind I would do it before I got too old to work. Thanks for your patience and consideration."

Many articles have been written and pamphlets published which show how systems of internal controls and checks should be maintained. These controls are divided into three groups:

(1) control of cash receipts

(2) control of disbursements

(3) control of merchandise inventory.

Insurance companies have published excellent pamphlets setting out safeguards that should be maintained by various types of business concerns. The Fidelity and Deposit Company has reproduced a booklet by Lester A. Pratt which has proved very effective in tightening up controls in many of our insureds. One of the most important features is a checklist which should be applied to any system to determine if it is operating efficiently or not. I emphasize the importance of properly policing any system of internal controls. The success of the operation depends entirely upon the human factor which is responsible for its administration and execution. Continual vigilance is necessary to insure that the best system in the world is properly carried out.

The system may break down because an officer or employee allowed someone else to reconcile a bank ac-

ASSOCIATED ***continuously with the fidelity department of Fidelity and Deposit Company of Maryland since he joined the company in 1928, George A. Conner became assistant manager of the department in 1948, manager in 1950, and company vice president in 1954.***

Graduate of Johns Hopkins University and the Law School of the University of Maryland, Mr. Conner is a recognized authority on the underwriting of Fidelity Bonds. He has served on numerous committees of The Surety Association of America.

count for him, because he failed to maintain proper controls over customers' accounts, or because he relinquished part of his assigned duties to another employee who volunteered to assist. It is well known that large-scale embezzlers are usually the most willing and the hardest workers in an organization. Often, when a loss is discovered, management is surprised to learn the scope of the defaulter's activities.

Rationalization, the second element present in embezzlement losses, as referred to by Dr. Cressey, deals directly with the person who causes the loss.

Dr. Cressey thinks nothing can be done to prevent rationalization by an employee, that is, justifying in his own mind the act of fraud or dishonesty. I disagree. I believe something *can* be done to change the thinking of the defaulter. Management has an opportunity to do some constructive work in this field.

We must show management how it can better the climate under which employees work in many concerns. I do not mean we should preach the virtue of honesty, but much can be done to make them more loyal, more efficient, to create in them a greater capacity for work. If this is done the employees necessarily become more honest, or, to put it another way, less susceptible to the temptation to steal.

Free Discussion of Problems

For example: employees should feel free to discuss any problem, financial or otherwise, with their superiors. I know of cases where a loan or a merited salary increase at the proper time would have prevented a defalcation and saved one or more broken lives.

We as insurance underwriters are not in the position to advise concerns how to improve employee attitudes. There are, however, companies that specialize in this kind of human engineering in the same manner as certified public accountants specialize in proper controls and accounting procedures. Any of these human engineering concerns can be employed to "do a job" on a concern's employees. I do not mean efficiency experts but those specialty companies that by expert psychological means will lift the sights of employees and give them greater incentive.

Thomas M. Hutsell, personnel

training manager, Western Auto Supply, to bring out the best in the employee, proposes:

> "1. Keep him informed. . . . To gain his loyalty, co-operation and production, he must be kept informed.
> "2. Let him know how he is getting along on the job. . . . Money is not enough. . . . Verbal appreciation is necessary.
> "3. Settle grievances promptly. . . . His grievances may be imaginary but they cannot be ignored."

Lawrence A. Appley, head of the American Management Association, asks: "Do we believe that with the proper assistance and motivation each individual is capable of more than he or she has yet attained?" I think the answer is definitely in the affirmative. We all have a greater potential than has been disclosed. It is only by having our goal raised that we can realize the higher objectives and make advances toward them.

Dr. Rensis Likert, director of the Institute for Social Research, University of Michigan, financed by funds from private industry, government and foundations, says:

"It is significant that, when we look at the data, we find that in all kinds of operations high group loyalty tends to be associated with high performance."

It goes further than this. It is important that employees be more loyal, more efficient and develop greater capacity for work. These are good in themselves but in addition they make employees more likely to be honest.

Employee attitudes can be modified and job performances improved by formal programs.

Gambling and drink cause 23.8 per cent of all dishonesty losses. We read that in too many persons this is compulsive, resulting from a neurosis or an attempt to escape from some unpleasant situation. They certainly are not criminals; they escape to compulsive gambling as an outlet.

Proper treatment might have prevented the crack-up of a young man on the West Coast who caused his employer a loss of $47,000. He had been employed seven or eight years and was earning $8,000 to $10,000 annually. The loss extended over six to seven months, and the money was all lost on slow horses on California tracks. He became desperate, took $3,000 more in cash, went to a gambling house in Las Vegas for one last try to recoup. He rolled the dice and he won $6,000. He let it ride and won $12,000. Again he let it ride and was ahead another $12,000. He figured he was on his way to success and asked the manager to permit him to roll for $24,000. As was to be expected, he lost. Possibly this man might never have found himself in this predicament if he had had proper counseling.

Didn't Plan to be Criminals

Always remember these people didn't start out to be criminals. Many simply developed bad employee habits and attitudes and lost their way.

Today's American worker too often has the feeling that his working life is nothing more than a series of jobs giving him little recognition and doubtful satisfaction; consequently he goes at his work grudgingly. Combine this attitude with the emotional immaturity which is found in many embezzlers and we have the beginning of another "lost employee".

All companies have a terrific investment in their employees. Are they getting the most out of their investment? Some definite program of self-help will make better employees, less inclined to be dishonest. Employees should never be taken for granted; they are either working for or against management. There is much room for raising the sights of employees so that they can realize their full potential.

Gift Horses? Look Them in the Mouth!

Company Liable If Employee Drives Car on Employer's Business

By GEORGE A. STRADER
Beacon, New York

SAID the office manager: "Jump into your car and run out to get Eddie and Ken, will you, Jimmy? I'll get Ben and Pete to go out with theirs for some of the girls. They're going to have trouble getting in to work in this subway strike."

G. A. STRADER

"Supposing one of them hits somebody on the way," I asked, after Jimmy had gone. "Who pays the lawyers, and how do you think your company creditors will like your legal troubles?"

"They can't sue us," retorted the manager. "We don't own the cars."

He was exactly 100 per cent wrong but, let me hasten to add, he has had plenty of the most distinguished company in his erroneous belief. When even the Prudential Insurance Company, the New York Fire Insurance Exchange, the Singer (Sewing Machine) Manufacturing Company, the Fuller Brush Company, the National Cash Register Company, and many, many more of the most knowing organizations, have paid fancy prices for being equally wrong, this manager can hardly be blamed too strongly.

But it is the owners and managers of small and moderate-size businesses who most often express the deepest skepticism when they are told that they can be held financially responsible for bodily injuries and property damage caused by the fault of an employee—salesman, serviceman, collector, or just Handy Andy —who is driving his own car, or the car of anyone else, on the employer's business. And it is precisely these small and moderate-sized businesses that have the most to lose, in capital and credit, by becoming involved in such liability suits.

Here are the facts—with a group of case histories.

The employer can be held financially responsible for the use of an automobile by anyone in his business, regardless of (1) who owns the car, (2) whether driving is regular or only occasional, (3) what the person's duties are, as long as the use of the car is a reasonable means of getting them done, (4) whether the person is required to use a car or is even prohibited from using one, (5) whether he is paid any special allowance for using the car, (6) how the person is compensated, salary, commission, or otherwise, (7) whether the employer even knows that the car is being used.

Let me illustrate:

The classic case of its kind is *Dillon vs. Prudential Insurance Co., et al*, 242 Pac. 736. One of the company's agents, driving his own car to a salesmen's convention to which he had been invited, caused a fatal injury. Suit was brought, as it usually is, against the company and agent jointly. The company contended that the agent was an independent contractor and not under company control, a statement to some extent supported by the fact that he was driving with his girl friend in the car at the time of the accident.

But the court disagreed, holding that the agent felt duty-bound to accept the invitation and was therefore in the company's service. The company alone was held liable, in the amount of $10,000. It appealed, but the high court affirmed the lower court's finding and the judgment of $10,000 held against the company.

BEGINNING ***his business career with the former New York Stock Exchange firm of E. C. Benedict & Co., George A. Strader later was associated with the Aetna Insurance Companies; Travelers Insurance Co., and before his retirement he was for years with Manufacturers Trust Co.***

Mr. Strader has authored many published articles on insurance and investment.

The insurance company, with its vast financial resources and legal talent of the highest order, fought the case to the last bitter ditch.

In *Williams vs. National Cash Register Co.*, 157 Ky. 836; 164 S.W. 112 (Kentucky), a sales agent of the company ordered his driver to deliver a cash register. While the driver was on this duty, his car struck the plaintiff, causing severe injuries. Suit was brought by the plaintiff against both the driver and the company. The verdict was given against the driver only. But the plaintiff, dissatisfied with a judgment against a mere driver, appealed the case to demand that the company be held liable. This appeal was upheld by the higher court and the company was made liable for the judgment. The case is important because it points up the fact that no smart lawyer will sue an employee of dubious assets if he can involve a substantial employer.

No Escape from Liability

Mast vs. Bloom and Fuller Brush Company, Woodland, Calif., proves the point that a binding agreement between employer and employee offers the employer no escape from liability.

An award of $10,000 was made to nine-year-old Robert Mast for a permanent injury to his head, suffered in an automobile accident. The jury in superior court reached a verdict in 45 minutes. George Bloom, driver of the car that struck young Mast, and the Fuller Brush Company, were held jointly responsible. Medical testimony showed that a fracture of the skull, sustained when the door handle of Bloom's car hit the lad as he ran across the highway, left a portion of the brain unprotected by bone. Attempts by the Fuller Brush Company to prove that Bloom was an independent dealer, thus freeing the brush company of any liability, were futile.

In *Baldwin vs. Fire Insurance Exchange* (New York), an inspector, driving his own car on his way home at the end of the day, struck and severely injured a boy. Suit was

(Continued on page 38)

Insurance Industry's Contribution to Company Growth Capital

(CONCLUDED FROM PAGE 9)

outside certified public accountant; requires that the company maintain a certain working capital level; limits dividends to a certain percentage of earnings; restricts the company on liens, pledges, mortgages, guaranties, and contingent liabilities; limits loans to outsiders and advances to officers or employees; prohibits additional funded debt; limits unsecured current debt to a stipulated dollar figure, and requires a bank cleanup of about 90 consecutive days each year; prohibits mergers, consolidations, sale or leasing of a substantial portion of the assets, or sale and leasebacks; and controls transactions with stockholders holding a certain percentage of the stock, or with affiliated companies.

To determine its interest in a loan, Prudential first asks to be shown (1) a statement of the amount required and the proposed use; (2) the most recent interim balance sheet, and the latest interim income account compared with earnings of the same period in the preceding year; (3) the company's latest audit or annual report, and summary of earnings for five or ten prior years; and (4) a brief description of the business, and any readily available reports or literature.

CASE HISTORIES

PRUDENTIAL is able to cite a number of case histories showing how companies have profited through its financing. For instance:

In the latter part of 1956, a producer of electric timers was in need of a new plant. The company was unable to obtain the $500,000 desired through mortgage sources because that involved 100 per cent financing. The bank was willing to provide a large part of it for a much shorter term than would fit the company's earning picture. At the same time, if such funds were made available by the bank, that would necessarily curtail its current lines.

The company had a fine reputation, excellent products, and made good money. Its sales, however, moved within a very narrow range between 1951 and 1956 because of inadequate facilities, and it was unable to move forward and fully develop its potential.

Prudential's loan was disbursed in August 1957. In 1958, sales increased 29 per cent. In 1959, the first full year of operation in the new plant, sales were up 36 per cent over 1958. Net income rose 27 per cent in 1958 and 104 per cent in 1959—a commendable record when it is remembered that 1958 was a part recession year and that a steel strike existed in 1959.

Another company, a manufacturer of refrigerators, coolers, and freezers, was founded in 1947 with about $12,000 in capital. Its first home was a garage. From this original space, the company expanded into two plants with funds obtained from retained earnings and depreciation charges. This necessarily resulted in a tight working capital position. Its current cash requirements were financed to a great extent by short-term borrowing, it was unable to clean up, and its bank naturally required such borrowings to be secured. It was unable to take trade discounts, and a further orderly increase in sales volume was not possible under existing financial arrangements.

Prudential was approached for a loan of $150,000 in 1958. In the first full year from date of the loan, sales increased 24 per cent and net income almost 25 per cent. There was more money added to working capital in one year than in the preceding decade, and the company was able to take all trade discounts.

As these companies grow, their financial requirements increase, and they often turn again to Prudential for funds. In fact, 26 per cent of Prudential's loans in 1960 were to companies to which it had previously loaned money.

Up to this time, there has been a lack of knowledge on the part of a large segment of business that such facilities as Prudential has to offer exist. Despite the hue and cry about the nonavailability of long-term money for small business, Prudential has yet to experience a lack of available funds for small business or that it has more business than it can handle. The company feels it has just scratched the surface.

GRADUATE *in economics from the Wharton School of the University of Pennsylvania, Richard P. Taft joined Prudential's mortgage loan accounting department in 1933. After a succession of promotions he was transferred to the southwestern home office, Houston, as assistant general manager of the investment and finance department, and two years later to bond investment manager in the southcentral home office, Jacksonville.*

On establishment of the commercial and industrial loan department in 1956, Mr. Taft was named its investment manager at company headquarters.

Don't Overlook Those Office Hazards: They Can Be Dangerous and Costly

BY WILLIAM E. SURETTE
Division Credit Manager
Liberty Mutual Insurance Company
New York, New York

Safety of office personnel, often taken for granted due to lack of exposures to heavy equipment, trucks and other moving apparatus, poor lighting, improper ventilation, high voltages, must not be overlooked. Presented here are an evaluation and methods to handle dangerous and costly physical hazards.

TODAY, an average day for the white-collar worker, will produce many costly accidents and troublesome physical injuries. Day-in and day-out perils such as tripping, falling and collision hazards, improper handling of heavy materials and equipment, balky elevators, sticky file drawers, fire, will cause bodily harm to hundreds of unsuspecting office workers.

W. E. SURETTE

General office work has been regarded widely as non-hazardous by employees and employers alike, but prevention and reduction of accidents should not be taken lightly. Accident prevention requires strict attention to detail and elimination of "horseplay" on the part of employees, and concentration and tact by office management. The elimination of, or lessening of the potential of, a single hazardous operation—there are probably some potential injury producers in any office—will pay dividends.

Have you, as a credit manager, given serious consideration to the potential hazards associated with office occupancy? We did, and the following survey of the more common perils encountered in every-day office routine was very revealing.

In our New York Division office, in Lynbrook, L.I., our credit department consists of a staff of 25 employees, eight male and 17 female. Covering only the five Boroughs of New York City, Westchester, Nassau and Suffolk counties, we receive a large number of telephone calls every day. This, in turn, necessitates a great deal of traffic between the credit department and other departments, such as accounting, auditing and filing.

Most of this traffic, as pointed up in our survey, is in person and is generally performed by women of the staff. It was shown that most office worker perils were in this category, as follows:

1. Falling off posture chairs readily pushed away from the desk. This condition is caused by the four casters being sideways at the time the chair is pushed back. Occasionally, an employee is badly shaken up.
2. Tripping over a lower desk drawer which has been left open. Bruised shins and torn hose are the end result.
3. Bumping into an open upper side drawer underneath a writing tablet. These accidents usually end up in a bruised abdomen or thigh.
4. Catching fingers when lowering the typewriter bed on side-pedestal desks.
5. Closing file drawers and desk drawers on fingers.
6. Striking the head on the top drawer of a file cabinet left open by one clerk while the second clerk is working on the bottom drawer.
7. Cutting the fingers on sharp paper edges while trying to reach into a file drawer too quickly.
8. Slipping on pencils, rubber bands and carbon paper dropped to the floor.
9. Slipping on the stairs, caused by hurrying while wearing spiked heels.
10. Dropping cigarets, not fully extinguished, into waste baskets.
11. Falling over wastebaskets in the aisle or close to desks.
12. Cutting or pinching fingers while using a stapler. In securing a large quantity of memoranda or other data, force is often used to drive the wire staple through the papers. Hold the stapler away from fingers. Be careful of rough wire edges not properly bent over; they have caused many severe cuts.

SEMI-ANNUAL INSPECTIONS

WHEN Liberty Mutual commits itself to office occupancy, either rented or built to specifications, a full-scale safety survey is initiated to uncover physical hazards. This survey includes the checking of items such as the material of which the floors and stairs are made, the general lighting, spacing between aisles, the elevator lobby and the door of the building. A.S.A. and Building Exit Codes are adhered to in such an undertaking. Many of the hazards are eliminated, if possible, before our office staff takes over.

Semi-annual surveys follow. These inspections, which have paid off for Liberty, are conducted by three members of the office staff appointed to the safety committee by our office manager.

One member is from our loss prevention department. He thus has an opportunity to look closely at the office facilities, as contrasted with his routine of inspecting policyholder's property. The members of the group are not, necessarily, supervisors, but all are responsible, mature individuals who have ability to observe a situation, evaluate it, and suggest some manner in which any apparent hazard can be best eliminated.

To guide the activities of these inspection groups, three forms and check sheets are used. These forms have been developed over a period of several years by Liberty Mutual.

The first, "Office Inspection Check List Report—Unsafe Conditions", is a listing evolved to bring out the more common hazards associated with office occupancy. It covers the handling of equipment and materials,

tripping and falling, possibility of falling objects, collisions, first aid, and miscellaneous hazards.

This check sheet is detailed under each of these general categories so that the attention of the inspection group is called to the kinds of conditions that will produce injuries to personnel. It is designed to provide for a satisfactory or unsatisfactory rating on each of 48 separate items. In addition, the reverse side enables the inspection group to record any previous outstanding recommendations and to submit its findings for correction of unsatisfactory findings.

The second check sheet, "Office Fire Inspection Report", is similar in nature. It lists 30 physical conditions that have contributed to fire. Such categories as housekeeping, smoking, flammable liquids, electrical and heating conditions are covered. In addition, the conditions and existence of the fire-protective equipment is checked, as well as the exits and possible contribution to fire by other building tenants.

These two check sheets do not, however, reach another large area of hazard that may result in accidents. This category is covered in "Unsafe Practices Check List Report", a listing designed to disclose unsafe practices that may be engaged in by employees in the office. Listed are some 50 items that have a bearing on the personal conduct and attitude of the employee in possibly contributing to accidents. Included here are hazards such as tripping and falling, collisions, injuries resulting from handling materials and equipment, and possible elevator calamities. In addition, and in another section, practices related to fire hazards are covered.

At first glance, there seems to be some duplication in these check sheets. In reality, the first two deal with physical hazards and the third with the personal behavior of the employees.

OFFICE HAZARDS

IN THE UNITED STATES, falling has been the most important cause of death and injury next to motor vehicle accidents. In one typical recent year there were more than 20,000 deaths from all kinds of falls in industry, office, home, elsewhere, which represented approximately one-fifth of the accident death total. Perhaps more than any other type of accident, falls of persons are closely related to housekeeping conditions. Where women employees are concerned, high heels, open toes, and flimsy footwear increase the falling hazard. Proper shoes should be comfortable and be made of strong, sturdy material with solid soles and sensible heels.

Several years ago, the cost of medical and compensation payment to our injured office employees indicated that approximately 25 per cent of the losses resulted from falls on the premises. By far, most of these falls were caused by slippery floor surfaces.

Slippery Floors:—Maintenance of floors is a continuing effort, and each floor seems to have an individual personality that requires special treatment. By recognizing the part that falls on slippery floors or other surfaces have contributed to our overall accident ratio, several constructive steps were undertaken. Our maintenance crews were issued a list of floor dressings which met certain requirements. These dressings, previous to issuance, were tested in our laboratories and had desirable non-slip qualities.

Other factors, some of them intangible, go into a satisfactory floor dressing. It must have a reasonable life and do something to improve appearances. It is especially important that the floor be prepared, and the dressing applied, in strict accordance with the manufacturer's instructions.

With proper application, injuries due to falls were reduced from 25 to 9 per cent. Representing a 64 per cent decline, that indicates what can be done when intelligent attention is given to a particularly alarming factor.

Stairways:—Stairways contribute another basic hazard to office employees. Regardless of other means of transportation between floors—elevators or moving electric stairways —a certain number of workers will continue to utilize the stairs. In some cases, particularly with younger feminine personnel wearing spiked heels, the hazard is increased due to fast movement or inattention. Because of irregular width of footings and the potential distance of fall, accidents on stairways are apt to be of a serious nature. Fortunately, they are relatively infrequent.

To combat, to some extent, the distraction of any hurrying on the part of workers using stairways, we have experimented with several methods of painting with contrasting color patterns and improving the lighting of stairways. A higher level of illumination and the use of brightly colored walls will always make the whole stairway more visible. A lighting intensity of 5 foot-candles is the recommended minimum. For added safety, 10 foot-candles of light should be available.

Materials Handling: —Within the subject materials handling and delivery of packages, several changes have been made. All supplies to our branch offices are shipped from the central stockroom at the home office in Boston. We all recognize the tendency to cram as much as possible into a shipping carton and then hope that the trucker will be able to move it. This act represents no particular problem. However, in the receiving office an entirely different situation exists. It is not unusual for truckers to leave bundles at the address, as they do not like to carry packages up to an office. An employee must take the bundle to the stockroom.

Recognition of this problem prompted us to set a maximum

***WILLIAM E. SURETTE**, credit manager, New York Division Liberty Mutual Insurance Company, became associated with the company in 1923 as a payroll auditor, working out of the home office in Boston and advanced to credit manager of the Middlewestern and New England divisions.*

Prior to 1923, Mr. Surette had been treasurer of John J. Morgan Advertising Agency, Boston, and chief accountant for the Boston office of Western Electric Company.

He served two years as a member of the Insurance Committee of New York Credit & Financial Management Association.

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weight of 40 pounds on all supplies shipped to branch offices. The average weight of all bundles is 27 pounds. Setting up of this maximum weight and the use of smaller packages have reduced the accident hazard to the employee asked to carry the supplies from door to desk.

Falling Equipment—In any office there is always the possibility of various items of equipment falling upon employees. Such pieces of office equipment as file cases, bookcases, supply cabinets, water coolers, comptometers, and typewriters are apt to become unbalanced and topple over. Several steps can be taken to prevent this. Naturally, all our typewriters are securely bolted to their desks and are not used until so secured. Although property damage is a factor, we are more concerned over the possibility of a bruising injury should a typewriter or other office equipment fall from its desk.

Our general office supply cabinets are usually placed against a wall where it is possible to bolt them securely in place. We provide more stability for the cabinet and lessen the tipping hazard by rearranging the contents so that heavier items are at the bottom.

Very few of our files are used singly. Most office layouts make an effort to arrange their files in banks of two or more. Thus, they can be bolted together to form a more stable installation.

In those few instances where only a single file cabinet is needed in a small office, we fasten it to the wall by means of a bracket at the top or bottom with an angle bracket attached to the floor. In other instances, weights are added underneath the bottom drawer to provide the utmost in stability.

Occupational Disease Exposures:—There are other exposures that might not be immediately thought of in the average credit office. A group of these may be defined as occupational disease exposures that might, in a particular situation, result in disability. The most common and obvious of these is the cleaning solution used to condition the keys of typewriters.

There are many cleaners on the market today that have a concentration of carbon tetrachloride as high as 98 per cent. The safe and maximum allowable limit of concentration of carbon tet in the air is 25 parts per million. Since this chemical solution is highly toxic, yet non-flammable, its effects are accumulative. There are other types of cleaners that have tolerances as high as 500 parts per million in air and are, in addition, non-flammable. Consequently, we have standardized on the use of cleaning liquids with the higher tolerances.

Machine Hazards:—Machine hazards, too, might be thought of as a non-existent hazard in an office. The truth is that surveys have disclosed a number of specific machines that could cause serious injury to operators and other employees.

A nip-point exposure can exist in the type of machine used for billing, inserting and postage-metering of bills and credit memorandums. Through constant use, the flaps of the envelopes will cause abrasive wear on a portion of the rollers. Even though the machine seems to work satisfactorily, a nip-point exists at the point where the rollers have been worn away. Elimination of this exposure calls for regular inspection by the supervisor or person in charge to see that the rollers are replaced when wear creates the hazard.

Housekeeping:—Housekeeping in an office is of constant concern. It not only affects the appearance and distracts from the visual image of efficiency but it also constitutes a hazard to those working in "unclean" areas. Formerly, our home-office building was provided with steel lockers with one or two employees assigned to each. In spite of regular locker inspections to eliminate fire hazards and improve housekeeping, it seemed impossible to keep some people from collecting and storing items that were no longer needed. In recent years, we have gone to the office valet type of equipment where there is provision for coats and hats. Any other material is so obvious that it does not remain long on the valet without the calling of attention to it.

Since many smoke at their desks, there is present the possibility of fire from hot ashes being dumped into a waste basket and igniting thin tissue papers or carbon papers. Part of our continuing program with employees is to caution them against dumping hot ashes or flipping a match into trash baskets. An effective method of containing a fire, should one start, is to place another waste receptacle over the top of the first.

Office Rearrangement:—Occasionally, in rearrangement of desks, electric outlets are left protruding from the floor. Until the outlet can be removed, or another piece of furniture placed over it, it is good practice to cover the obstruction with a waste basket. Painted in a light color, to aid visibility, the basket will provide an obvious hazard over which few employees could stumble.

Recreation Activities:—Many companies and organizations have extracurricular programs or recreational activities that appeal to office personnel. Among these programs at Liberty Mutual are winter and water skiing, softball, baseball, basketball, outings and picnics. During our winter skiing outing, one of the company nurses is in constant attendance to take care of anyone who may become injured or ill. Before those attending the outings board the buses, they are given sheets of instruction containing pointers on accident prevention. These sheets are generally read on the trip to the ski run area. There is good evidence that these instructions are heeded, as such accidents are at a minimum.

For the last several years we have had a program of water ski instruction for interested employees. Before anyone is accepted, his or her physical condition is checked by the medical department. Furthermore, all those receiving instruction are required to wear life jackets. As in many of our social activities, an entire program of accident prevention in connection with the undertaking was carefully detailed and accepted before the activity was started. It might be wise to consider these precautions in connection with company-sponsored activities in your office.

An evaluation of the safety program, as practiced in your office, might produce some startling disclosures. It will pay dividends to have them investigated promptly. Many hazards can be eliminated, others can be controlled. A program that undertakes to evaluate the working conditions of the so called "non-hazardous" environment of an office will provide a service to all concerned.

Faculty and Students at Twelfth Annual Session of NACM Graduate School at Dartmouth

49 Receive Executive Award at Dartmouth

REPRESENTING companies and organizations in 19 states and Canada, 49 executives returned to their desks with the Executive Award after commencement exercises at the twelfth annual session of the NACM's Graduate School of Credit and Financial Management at Dartmouth College, Hanover, N.H.

EARL R. HEBELER of Buffalo received the American Petroleum Credit Association Award for the best Management Study Report of the graduating class. His subject was "A Program for Increasing the Effectiveness of Branch Managers of The Marine Trust Company." Mr. Hebeler is manager of the central credit department of The Marine Trust Company of Western New York.

To WYLIE G. MAC IVOR, assistant treasurer of Bird and Son, Inc., East Walpole, Mass., went the Alumni Leadership Award of the Graduate School Alumni Association.

EARL R. HEBELER ***(left) of Buffalo, N.Y., is congratulated by Dr. Peter C. Peasley on winning the American Petroleum Credit Association Award, to be formally presented next May at the Credit Congress in Philadelphia.***

Dr. Peter C. Peasley, NACM's director of education and research, and executive director of the Graduate School, presented the Executive Award certificates and announced the winner of the APCA Award, which will be formally presented at a plenary session of the 66th Annual Credit Congress, in Philadelphia next May.

Presenting the Alumni Award at Hanover was Marion M. Johnson, vice president of Brown-Forman Distillers Corporation, Louisville, member of the Credit Research Foundation committee on education and professional development, and member of the Graduate School faculty.

"Economics of the Current Crisis" was the topic of the commencement address of Dr. Charles J. Walsh, professor of economics and chairman of the economics department of the Graduate School of Arts and Sciences, Fordham University.

Following the invocation by The Reverend Edward H. MacBurney, associate rector, Saint Thomas Church, Hanover, Dr. Walsh was introduced by Professor Raymond Rodgers, professor of banking, Graduate School of Business, New York University, and member of the faculty of NACM's Graduate School. Professor Rodgers was author of the article "Money to Grow On", which highlighted the May 1961 issue of CREDIT AND FINANCIAL MANAGEMENT.

Professor Arthur R. Upgren, Frederic R. Bigelow professor of finance

WYLIE G. MAC IVOR ***(left) East Walpole, Mass., receives the Alumni Award from Marion M. Johnson of the NACM Graduate School faculty and the Foundation's committee on education and professional development.***

YOUR HELP, PLEASE!

NACM's home office is making a collection of convention badges distributed at its Annual Credit Congresses over the years, and urges the cooperation of all members.

The badges (including medals) will be mounted for display in Association headquarters and will be given highlight attention in Credit and Financial Management *magazine.*

Please search your files and dust-collectors at home and send us any convention badges you have. You will be making an important contribution to your Association!

and director of economic studies, Macalester College, St. Paul, Minn., and on the NACM Graduate School faculty, presented the candidates for the Executive Award. Professor Upgren's analysis of the Report of the Commission on Money and Credit featured the August issue of CFM.

Dr. Carl D. Smith, founder of the NACM Graduate School at Dartmouth when he was educational director of the association, was introduced at the exercises by Dr. Peasley.

Following are the names of the graduates and their companies:

ALABAMA: *Lewis Durant* and *Glen M. Furlow,* both of Tennessee Coal and Iron Div., U. S. Steel Corp., Fairfield.

CALIFORNIA: *Ledger D. Free, Jr.,* Bank of America NT&SA, San Francisco; *Arthur D. Morgan,* Bank of America NT&SA, Washington Telegraph Branch, Los Angeles; *W. L. Spraggins,* Bank of America NT&SA, Salinas; *R. J. Timmerman,* Bank of America NT&SA, San Francisco.

CONNECTICUT: *Walter G. Davis, Jr.,* Hartford National Bank & Trust Co., New London; *G. E. Helmstetter,* Sound Scriber Sales Corp., North Haven.

DELAWARE: *J. W. White,* E. I. DuPont De Nemours & Co., Wilmington.

GEORGIA: *F. S. Gregory,* Atlantic Steel Co., Atlanta; *Henry T. Rogers,* J. M. Tull Metal & Supply Co., Inc., Atlanta.

ILLINOIS: *J. Gordon Evans,* The Ohio Oil Company, Robinson; *Walter E. Greising, Jr.,* American Steel & Wire Div., U. S. Steel Corp., Chicago.

INDIANA: *Robert C. Slough,* The Ohio Oil Co., Indianapolis.

KENTUCKY: *Robert A. Bliss,* Ralston Purina Co., Louisville.

MASSACHUSETTS: *G. L. Kilnapp,* First National Bank of Boston; *Wylie G. Mac Ivor,* Bird & Son, Inc., East Walpole.

MICHIGAN: *J. O. Martin,* Redisco, Inc., Detroit.

MISSOURI: *Carl J. Unverferth,* Wagner Electric Corp., St. Louis.

NEW JERSEY: *Harold W. Spahn,* Johnson & Johnson, New Brunswick.

NEW YORK: *Clifford E. Adams,* Allied Chemical Corp., New York City; *James W. Cherry,* The Hanover Bank, N.Y.C.; *Michael F. Delaney,* Motor & Equipment Mfg. Association, N.Y.C.; *John B. Goldham,* The Hanover Bank, N.Y.C.; *William Q. Harty,* Morgan Guaranty Trust Co. of New York; *Earl R. Hebeler,* Marine Trust Co. of Western New York, Buffalo; *William R. Hogan,* United States Gypsum Co., N.Y.C.; *Robert L. Krause,* Standard Financial Corp., N.Y.C.; *E. F. Mallory,* Textile Banking Co. Inc., N.Y.C.; *William G. Menner,* Chemical Bank New York Trust Co., N.Y.C.; *F. W. Murray, III,* Chemical Bank New York Trust Company, *Halsey W. Snow, III,* Remington Rand, Buffalo; *Richard F. Spall,* Hoover Co., N.Y.C.; *Charles J. Tischer,* First National City Bank, N.Y.C.; *James P. Weber,* First National Bank of Boston, New York City.

NORTH CAROLINA: *Thornton B. Morris,* Branch Banking and Trust Co., Raleigh.

OHIO: *Raymond Burghardt,* Republic Steel Corp., Cleveland; *J. D. Reilly,* The Firestone Tire & Rubber Co., Akron; *R. E. Scroggins,* Fifth Third Union Trust Co., Cincinnati; *Robert E. Virden,* The Cooper-Bessemer Corp., Mt. Vernon.

PENNSYLVANIA: *C. A. Darlington, Jr.,* and *Walter H. Geer* both of Fidelity-Philadelphia Trust Company, Philadelphia; *Charles D. Horne,* National Tube Div., U. S. Steel Corp., Pittsburgh; *David A. Simpson,* Steel City Electric Co., Pittsburgh.

SOUTH CAROLINA: *Wallace O. Hardee,* Planters Fertilizer & Phosphate Co., Charleston Heights.

VERMONT: *Philip B. Chapman* and *Malcolm S. Jones,* both of Dunham's, Brattleboro.

WEST VIRGINIA: *Hugh A. Curry,* The Kanawha Valley Bank, Charleston.

CANADA: *Allan T. Mundy,* New Holland Machine Co., Canada Ltd., Ottawa.

Savings Bonds Extended

Series H Savings Bonds issued from June, 1952, through January, 1957, may now be held for an additional 10 years and earn a full 3-¾ per cent interest a year, payable semi-annually by Treasury check.

Mortimer Davis Honored by Textile Veterans Association

Mortimer J. Davis, secretary and treasurer of the New York Credit Men's Adjustment Bureau, has been selected to receive the 1961 TVA Achievement Award, according to Milton Jacobs of Colonial Woolen Mills, Inc., chairman of the Textile Veterans Association.


M. J. DAVIS

The Award will be presented at a testimonial dinner October 25th.

The Award is presented annually by the association on behalf of the textile industry, for "notable civic and philanthropic endeavors which reflect great credit to the honoree, the industry and the community".

Mr. Davis was elected secretary-treasurer of the Adjustment Bureau a year ago when he retired as executive vice president of the New York Credit & Financial Management Association. He is a former special agent of the F.B.I. and an authority on application of civil and criminal statutes covering insolvencies and fraud. He is a member of the National Bankruptcy Conference and past president of the Former Special Agents of the Federal Bureau of Investigation, Inc.

Coonelly Named Secretary of New York Credit Association

Thomas F. Coonelly has been elected secretary of the New York Credit & Financial Management Association.

The office of secretary had been held by Barrett R. Tanner until October 1, 1960, when Mr. Tanner was advanced to executive vice president and Mr. Coonelly was named assistant secretary.


T. F. COONELLY

Mr. Coonelly had been sales and promotion manager for 13 years. Previously he was on the staff of the National Association of Credit Management, supervising eastern seaboard Credit Interchange Bureaus.

8 Latin-American Countries Improve Credit Standings in Survey by FCIB

EIGHT Latin-American countries improved their credit positions in the first half of this year and nine countries showed betterment in collections, in the 66th semi-annual survey by NACM's Foreign Credit Interchange Bureau into commercial credit and collection conditions in Latin-America.

To Nicaragua went top rating in both credit and collections, followed closely by Surinam, Paraguay, Argentina, British and French Possessions, and Uruguay.

Paraguay recorded the outstanding gain of 30 points in credit status. Three countries showed no change in relative positions, and 13 lost points. Cuba, to which virtually no credit had been extended, continued in undisputed possession of the lowest classification, "Very Poor". The Dominican Republic, however, dipped 46 points and fell out of the "Fairly Good" category, into "Fair". Ecuador was off 41 points, Salvador 34.

Paraguay had a gain of 14 points in topping all countries in collection ratings. Almost no payments were received from Cuba, which stayed on the bottom as "Very Slow". Dominican Republic fell off in collections too—26 points, as did Ecuador, 24, and Salvador, also 24 points. In collections, 15 countries lost points.

In comparisons of the lines of credit in the first six months of this year in relation to those of 1960, "Terms Changes" paralleled the trend of collection experiences, with "More Liberal" terms shown for improved or "Prompt Pay" markets, and tightened terms for those in which payment performances had been unsatisfactory.

"More Liberal" terms were reported by 13 per cent of the members to their accounts in Bolivia, by 12 per cent for Haiti, and by 10 per cent to Paraguay. "Written Off" was the word from practically all members for Cuba. "Less Liberal" were the terms from 24 per cent of the membership to customers in Dominican Republic, 22 per cent in Venezuela, 9 per cent in Salvador.

The classifications of Credit and Collection in the Latin-American market in these surveys of U. S. manufacturers and exporters are from the commercial point of view only.

Dr. Ernest I. Kilcup Dies; Was Named NACM President in 1933 at Milwaukee

The closing of a chapter in the earlier history of the National Association of Credit Management is written with the death of Dr. Ernest I. Kilcup, who passed away at his home in Barrington, Rhode Island. Dr. Kilcup had been a president of National, elected at the Credit Congress in Milwaukee, Wis., in 1933.

Dr. Kilcup, educator, humanitarian and economist, was associated for 43 years of his business career with the Davol Rubber Company, Providence, R. I., and rose from clerk to chief executive, treasurer and board chairman.

He coupled with his business activities the teaching of economics, marketing and financial management at Northeastern University, Boston.

In 1921, three years after entering the employ of Davol Rubber Company, he was advanced to credit manager. He became assistant secretary-treasurer in 1928. There followed election as a director, and secretary and acting treasurer in 1930. He was named managing executive of the company in 1932, president in 1937.

Dr. Kilcup attended Brown University and in later years received honorary degrees from several colleges, including a doctorate of science from the Rhode Island College of Pharmacy, now a division of the University of Rhode Island. He was a trustee of Bryant College, an honorary director of the Rhode Island Hospital Trust Company, a trustee of the Osteopathic General Hospital of Rhode Island.

Dr. Kilcup was a director of the Citizens Savings Bank, Automobile Mutual Insurance Company of America, Factory Mutual Liability Insurance Company of America, and of C. R. Band, Inc., surgical supply house. When he retired recently as a director of the Emma Pendleton Bradley Hospital he was cited for his service to the institution.

A research facility opened last year by Davol was named the Dr. Kilcup Laboratory.

Surviving are Mrs. Kilcup and a brother and sister.

Arthur W. Hill, Sr., Is Dead; Credit Manager of duPont

Arthur W. Hill, Sr., general credit manager of E. I. duPont de Nemours & Co., died in Memorial Hospital, Wilmington, Del.


A. W. HILL, SR.

Mr. Hill, graduate of Colgate University, had joined the duPont organization as creditman in Buffalo, and in 1926 was named credit manager of the former duPont Rayon Company. On transfer to Wilmington home office, he was advanced to division credit manager, and in 1943 became assistant general credit manager of the company. Two years later he was advanced to the post of general credit manager.

Former president of the Credit Association of Western New York, Buffalo, and a former director of the New York Credit & Financial Management Association, Mr. Hill was also an officer of Silk and Rayon Credit Association, now Fiber Producers Credit Association.

Zebras Launch Threefold Program

To Boost Membership and Service

THE Royal Order of Zebras has launched a threefold program of membership expansion and development under the leadership of Joe Vallero, Grand Exalted Superzeb, with the close cooperation of Ken White, Vice-Grand Exalted Superzeb, and the Zebratary, Jack Schofield, executive vice president and secretary-treasurer of the St. Louis Association of Credit Management.

JOE VALLERO

The triple objective is:

1. Increased activity of present Herds.
2. Development of new Herds.
3. Correlation of membership programs, local and National, for a more effective contribution by the Zebras, individually and as units. Coordination with the National's elected officers and with its home office departments is part of the program.

Achievement of the aim to obtain new Herds got off to a notable start with the formation of a new unit in the Cincinnati area. Signs point to the chartering of four or five additional Herds, with interest in that direction registered in Seattle, Spokane, Denver, Detroit, Cleveland, Birmingham and Philadelphia.

Basic to all Zebra activity are obtaining new members for the National Association of Credit Management, promoting professional education, and providing special services to affiliated organizations.

At a plenary session of the 65th Annual Credit Congress in Denver, the NACM Zebras Award was presented to Sydney L. Hammer, vice president of Manufacturers Trust Company, for having obtained a record number of new members for the New York Credit and Financial Management Association since the convention in St. Louis in 1960.

The Zebra of the Year Award from the Royal Order of Zebras was won by James A. Davidson of Dravo Corporation, Pittsburgh.

The 14 Herds in the past year, under the direction of William Ware, then GES, had enrolled more than 300 new members in affiliated associations.

Following are the officers of the National Corral this year:

JOE VALLERO, Grand Exalted Superzeb—Credit Manager, National Auto Supply Company, East St. Louis, Ill. St. Louis Herd.

KEN P. WHITE, Vice-Grand Exalted Superzeb—Credit and Office Manager, Blake, Moffitt & Towne, Oakland, Calif.

JACK F. SCHOFIELD, Zebratary—Executive Vice President and Secretary-Treasurer, St. Louis Association of Credit Management.

WILLIAM WARE, Grand Counselor—Credit Manager, Van Water and Roger, Inc., Los Angeles, Calif.

F. E. LETTICE, JR., Western Ranger—Credit Manager, Republic Supply of California, San Leandro, Calif. Oakland Herd.

J. B. HOLDREDGE, Pacific Ranger—Credit Manager, Sues, Young & Brown, Inc., Los Angeles, Calif.

J. L. HILLEBRAND, South Central Ranger—Credit Manager, Klarer-Dixie, Inc., Arabi, La. New Orleans Herd.

JAKE COFFMAN, North Central Ranger—Credit Manager, Gem City Planing and Lumber Company, Dayton, Ohio.

G. R. WILSON, Atlantic Ranger—Credit Manager, Jones & Laughlin Steel Corporation, Pittsburgh, Pa.

STRADER

(Concluded from page 29)

brought against the Fire Insurance Exchange and judgment was granted, later affirmed by the appellate court.

Even errands of mercy do not exempt the employer.

It could have been you, as an employer, in any of these cases. Moreover, the financial threat is always a double one: first, to your immediate cash reserves for payment of the judgment; second, to your credit standing, after a heavy blow to those reserves. It should not be difficult to imagine how you would feel were the shoe on the other foot; that is, if one of your own debtors were to suffer such a financial blow.

Protective measures against this employer liability have varied down the years. It would seem that the one all-embracing protection lies in the prohibition of using employee-owned cars for business purposes; but this is really no protection at all because (1) the employee may use his car for such a purpose anyway, (2) the other man's lawyer may convince the jury that the employee was so using it, whether or not he actually was.

Older forms of insurance have offered various degrees of protection—and premium expense. We have had Contingent Liability, employee-paid policies that named the employer as an added interest, and employer-paid Comprehensive Automobile Liability insurance.

The most recent development and by all counts the most protective and economical to date, is Non-Ownership Liability insurance.

Non-Ownership Liability insurance covers only the use of your employees' vehicles while they are engaged in your actual service. It does not cover either your employees' personal use of their cars or any use of your own car. It is intended that these excluded uses shall be separately covered by insurance designed for that purpose; namely, the regular forms of bodily injury and property damage coverage. Restricted as it is to business use only, it is the most economical form available while, at the same time, it is fully protective in the use of these "gift horse" vehicles.

This form of insurance fully covers the use of any employees' private passenger automobiles, motorcycles, or trailers; and it also covers the occasional and infrequent use of such employees' trucks. Regular or frequent operation of such trucks may be covered for an additional premium. It is blanket form coverage; no car need be described in the policy; the premium is based on the number of employees and their duties. Its precise details must be settled at local levels, of course, but a good broker or agent will know how to bring it within the reach of both small and large businesses.

One of the strongest arguments for Non-Ownership Liability lies in the fact that most large companies, with extensive (and often expensive) systems for checking on employees' insurance and limiting the use of personal cars in business, now supplement their efforts with Non-Ownership Liability protection.

59th Credit Women's Group Goes into Action at Billings

The Wholesale Credit Women's Group of Billings, 59th NACM women's unit, has been organized with the following officers:

President, Miss Ginger Winzenreid, of the NACM Montana-Wyoming Unit; vice president, Mrs. Roberta Parker, of Parker Livestock Supply Company; secretary-treasurer, Mrs. Gayle Vollin, American Appliance Company.

Trimble Is Honored by Company And Association on Retirement

Retirement of Elmo Trimble as secretary-treasurer of Wilson Paper Company, Los Angeles, following 28 years of service to the company, was signalized at a testimonial dinner at which an engraved plaque was presented by 60 associates.

ELMO TRIMBLE

Mr. Trimble was Western Division vice president of the National Association of Credit Management in 1954-55, after serving as director.

In the Credit Managers Association of Southern California he was 1951-52 president following periods on the board of governors and board of directors. He holds a life membership in the Los Angeles association.

Mr. and Mrs. Trimble now live in San Diego.

Marie Curlett Dies; a Director Of Association at Pittsburgh

Death of Miss Marie Curlett, credit and office manager of Emerson-Pittsburgh Company, Pittsburgh, followed years of service to organized credit. In May this year she had been elected to the board of directors of The Credit Association of Western Pennsylvania. She was a member of the Radio and Appliances Credit Group and a year ago was president of the Pittsburgh Credit Women's Group.

Charles King New Super Zeb Of Zebras' Herd at St. Louis

Charles King, general credit manager of Metal Goods Corporation, is the new Super Zeb of the St. Louis Herd, Royal Order of Zebras.

Other officers are:

MOST NOBLE ZEB: *William Mraz*, office and credit manager, Anheuser-Busch, Inc.

ROYAL STRIPER: *James A. Flood*, credit manager, Organic Division, Monsanto Chemical Company.

KEEPER OF THE ZOO: *George Schweighoefer*, credit manager, Witte Hardware Corporation.

KEEPER OF ACCOUTREMENTS AND STUFF: *H. J. Egle*, district credit manager, Aluminum Company of America.

ZEBRETARY: *Jack F. Schofield*, executive vice president and secretary-treasurer, St. Louis Association of Credit Management.

New York Credit Women's Group Honors National and Local Association Leaders

OFFICERS ***of both the National Association of Credit Management and the New York Credit & Financial Management Association were guests at the annual party of the New York Credit & Financial Women's Group. Above, standing (l to r) are Ralph O. Sanson, president, New York Institute of Credit; H. Wiltsek, House of Adjustments; Alan S. Jeffrey, NACM executive vice president; Gilbert W. Sites, NACM president; William P. Bennett, Duralab Equipment Corp. SEATED: Mrs. Sanson; Miss Marion E. King and Miss Marion R. McSherry, past presidents of the Group; Mrs. Clara T. Bennett, the Group's new president; Miss Lillian Guth, charter member and life member.***

STANDING ***(l to r) Sidney A. Stein, New York Association president; Barrett R. Tanner, executive vice president; Gilbert H. Bush, vice president; A. Salmon. SEATED: Miss Marie Ferguson, secretary National Credit Women's Executive Committee; Mrs. Bush; Mrs. Mildred Salmon, immediate past president of the Women's Group; Mrs. Stein, and Mrs. Tanner.***

Guides to Improve Executive Operation

KEEPING INFORMED

Seven "deadly sins of work garments," and how to reduce resultant costly accidents, are described in a leaflet issued by the National Safety Council in cooperation with the Institute of Industrial Launderers, Inc., 1883 Jefferson Place N.W., Washington, D.C.

WORKMEN'S COMPENSATION INSURANCE ON THE IBM RAMAC 650—Booklet describes manner in which Industrial Indemnity Co., large writer of workmen's compensation insurance, utilizes the IBM RAMAC 650 data processing system. Home office is in San Francisco; operation is on a decentralized basis with ten autonomous branch offices. Application Brief, Form #K20-1229. 12 pages; free. International Business Machines Corp., 112 East Post Road, White Plains, N.Y.

REMEMBER IT'S YOUR MONEY—Conversational-style booklet points out how U.S. business and industry are hurt by confiscatory taxation, suggests way to combat it. Intended for purchase by management for distribution to personnel and stockholders. Priced at $14.50 per 100 copies; quotations on larger quantities. Information Research Bureau, 438 Woodward Bldg., Washington 5, D.C.

APTITUDE TESTING of Engineers, Executives, Supervisors and Other Personnel—Brochure describes methods of minimizing errors in personnel selection and executive promotion through psychological testing, offers some illuminating facts and opinions on employee evaluation. For free copy, write on company letterhead to The Personnel Psychology Center, 315 Fifth Ave., New York 16, N.Y.

Informative reports, pamphlets, circulars, etc., which may be of interest to you. Please write directly to the publisher for them. CREDIT AND FINANCIAL MANAGEMENT does not have copies available.

To expedite receiving booklets described below in this column, address all inquiries concerning Efficiency Tips to CREDIT AND FINANCIAL MANAGEMENT, 44 East 23rd St., New York 10, N. Y.

EFFICIENCY TIPS

945—Many services offered by company that specializes in the design and production of business forms are described in illustrated booklet of UARCO Inc.

▼

946—Popular units in Smithcraft Lighting line of commercial and industrial fixtures are illustrated in new condensed folder. Included is listing of over 100 types of ceiling systems.

▼

947—Extra weight copy paper brings new wide-range applications of Thermo-Fax Copying Machine of Minnesota Mining & Manufacturing Co., such as working copies of engineering drawings, work order copies, ledger copies. Literature about machine and paper is available, free.

▼

948—"Guessing at Mail Weights Can Hike Your Postage Costs," profusely illustrated booklet of Pitney-Bowes, Inc. points out waste that can result from poor scales. Line of mailroom equipment for small to large offices is detailed. Free.

▼

949—"Y&E Expanding Index" brochure of Yawman & Erbe Manufacturing Co. describes expandable card filing systems. Instructions for use, rules for determining size of indexing needed, are included.

▼

950—Delkote "Solid Tak" plastic substance makes any clean, dry surface a bulletin or display board. Useful also for mounting pictures, signs, anchoring business machines, bottles of liquid. Literature is available.

▼

951—Soundscriber Corp.'s "20 Suggestions for Better Dictation" is cartoon-illustrated brochure listing hints to develop more effective written communications, regardless of method of dictating.

BOOK REVIEWS

COMMERCIAL CREDIT INSURANCE AS A MANAGEMENT TOOL — Monograph No. 3 in "Studies in Commercial Financing," by Clyde William Phelps, professor of economics, Graduate School, University of Southern California. 111 pages. Free copies on request for classroom and similar educational purposes. Educational Division, Commercial Credit Company, Baltimore, Md.

• Basic understanding of the nature of commercial credit insurance, its limitations (not available to four classes of firms), its uses as a management tool, and evaluation of cost, are Dr. Phelps' objectives in this study.

Discussed first are individual account coverage, policy amount, coinsurance and primary loss.

In analysis of the collection service provided he notes that the conditions under which an account is accepted as insolvent for the purpose of insurance are more liberal than under either the popular or legal concept.

Other noted areas of potential auxiliary benefits from commercial credit coverage are: Maintenance and increase of sales volume, improved borrowing power and credit standing, increased capital and decreased expenses, aid to general business administration, and assistance to the credit executive.

The author makes a simplified and readily grasped presentation of what could be a technically complicated subject.

ALSO RECOMMENDED

THE INSURANCE ALMANAC in its 49th edition provides a 1,008-page directory of insurance companies, organizations, agents, brokers, actuaries, adjusters, consultants, groups, state insurance officials, also officers of companies and coverages, and new and retired companies, mergers, brokers' and resident laws, definitions, and other data, all indexed. $10 plus postage. Underwriter Printing and Publishing Co., 116 John Street, New York 38, N.Y.

Books reviewed or mentioned in this column are not available from CREDIT AND FINANCIAL MANAGEMENT unless so indicated. Please order from your bookstore or direct from the publisher.

N.Y. Association's Best Seller Award Given Sydney Hammer

Sydney L. Hammer, vice president of Manufacturers Trust Company, has been honored with the top Best Seller Award of the New York Credit & Financial Management Association.

The presentation to Mr. Hammer, first vice president of the association and its general membership chairman, was made by President Sidney A. Stein, who also made awards to the members of the membership committee.

Mr. Hammer was recipient of the NACM Zebras Award at the Credit Congress in Denver in May, for his record of bringing 70 new members into the association in a year.

Commercial Finance Convention Sets Three Panel Discussions

Three panel presentations, one on participant financing, will share attention with other addresses by authorities on commercial financing and factoring, banking, accounting, and government, at the 17th annual convention sponsored by the National Commercial Finance Conference, in New York October 8-10.

The keynote speaker will be Thomas Lefforge, president of Commercial Discount Corporation and conference chairman. Dr. Leo Barnes, assistant vice president and chief economist of Prentice-Hall, Inc., will discuss the business outlook.

Herbert R. Silverman, president of James Talcott, Inc., will preside at the awards session, with the presentations by John E. Horne, SBA administrator.

Credit and Collection Course Begun by Triple Cities Units

A basic course in Credit and Collection Principles, approved by the National Institute of Credit and sponsored by the Triple Cities Association of Credit Management and the Credit Women's Club, is being conducted at Binghamton (N. Y.) Central High School.

The instructor is Stewart D. Rusby, assistant to the Photo and Repro Group of Ansco and Ozalid Division of General Aniline and Film Corporation. Mr. Rusby is former district credit supervisor of the Ansco and International divisions.

CALENDAR OF EVENTS IMPORTANT TO CREDIT

MINNEAPOLIS, MINNESOTA
September 28-29
North Central Credit Conference including Minnesota, North Dakota, Manitoba.

SAN FRANCISCO, CALIFORNIA
October 12-13
Pacific Southwest Credit Conference, including California, Arizona, Utah, Colorado, Nevada

SEATTLE-TACOMA AIRPORT
October 11-14
Pacific Northwest Credit Management Workshop

HOUSTON, TEXAS
October 15-18
37th Annual Conference of American Petroleum Credit Association

SIOUX CITY, IOWA
October 18-20
Quad-State Credit Conference, representing Iowa, Missouri, Nebraska and South Dakota

JACKSONVILLE, FLORIDA
October 18-20
Annual Southeastern Credit Conference, covering Florida, Alabama, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee

ATLANTIC CITY, NEW JERSEY
October 26-28
NACM Eastern Division Credit Conference

FORT WORTH, TEXAS
October 26-28
Annual Southwest Credit Conference.

MILWAUKEE, WISCONSIN
October 27-29
Mid-West Credit Women's Conference

CHICAGO, ILLINOIS
November 2-3
Central Division Secretary-Managers Conference

HOLLYWOOD-BY-THE-SEA, FLORIDA
November 12-15
Annual Fall Conference of Robert Morris Associates

PORTLAND, OREGON
March 15-16, 1962
Fortieth Annual Pacific Northwest Credit Conference

PHILADELPHIA, PENNSYLVANIA
May 13-17, 1962
66th Annual Credit Congress

Personnel Mart

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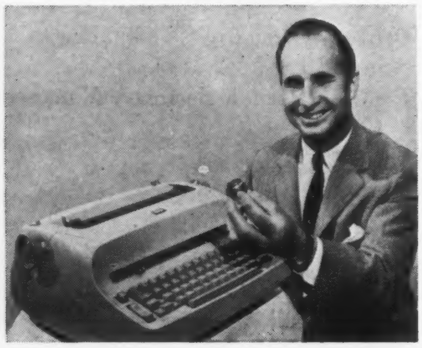

324 SELECTRIC electric Typewriter introduced by International Business Machines Corporation embodies revolutionary changes. Gone are the conventional type bars. A sphere-shaped typing element measuring only 1⅜" in diameter bears all alphabetic characters, numerals and punctuation symbols. The sphere moves across the paper at high speed as it prints, the carriage remains stationary. Any one of six type styles can be produced with the one typewriter by simply removing one sphere-shaped element and replacing it with another, in seconds. Stationary carriage reduces desk space requirements. Selectric is available in two sizes, variety of colors.

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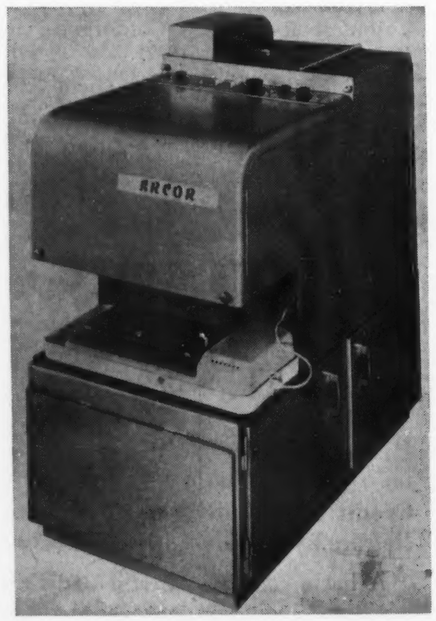
325 CHARNSTROM Dual Purpose Cart is useful for distributing and collecting correspondence and as mobile filing cabinet. Features include: streamlined for easy handling in narrow aisles yet providing maximum file space and capacity, rubber-tired wheels, and easy steering and pushing. Filing compartments are of electrically welded rustproof metal reinforced for rigidity and finished in blue-gray baked enamel. Frame and uprights are chrome plated. There are no exposed parts or surfaces. Filing compartments are easily removed for safekeeping, notes maker W. A. Charnstrom Co.

File Combines Features

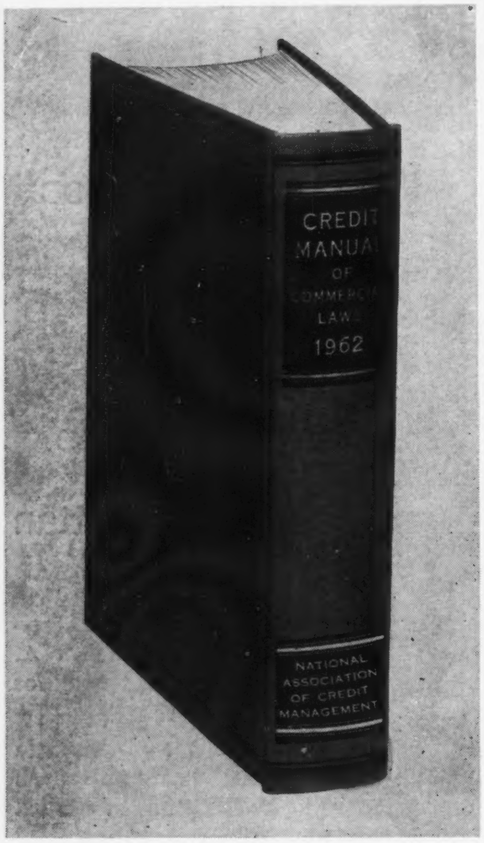
326 SHELVADRAWER of Wheeldex & Simpla Products, Inc. is designed to replace the ordinary drawer file cabinet and shelf files. Side-opening, ballbearing suspension drawer file serves the dual functions of drawer file, "drop filing" and side access shelf filing. Quick pull-out fully exposes contents. All levels may be used as open shelf files and more than one person may have access to file at same time. Shelvadrawer is available in completely closed and locked or open units; 3, 5 or 7 levels high.

Copies Electronically

327 ARCOR all-purpose electronic Copying Machine for office and engineering department uses will produce from one to 500 copies, from originals or negatives, in 10 sec. each, states Burton Mount Corporation, U.S. manufacturer-distributor. Production of high fidelity glossy prints of photos or line or photo copy in an office machine is a feature of this French-developed copier. Companion desktop unit, the POLYMICRO, for producing copies on nonglossy paper, also is being distributed by Burton Mount Corp.



This department will welcome opportunities to serve you by contacting manufacturers or wholesalers for further information regarding products described herein. Please address MODERNIZING, Credit & Financial Management. 44 East 23rd St., New York 10, N.Y.



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